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**SOVEREIGN GIMI LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2003**

Company Registration Number FC024507



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COMPANIES HOUSE

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# **SOVEREIGN GIMI LIMITED**

## **FINANCIAL STATEMENTS**

**PERIOD FROM 7 APRIL 2003 TO 31 DECEMBER 2003**

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# **SOVEREIGN GIMI LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **THE BOARD OF DIRECTORS**

R L Banks  
M W Evans  
C S Jones  
C R Morley  
A B Swann  
R L Towers

### **COMPANY SECRETARY**

D Hubbard-Taylor

### **REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
& Registered Auditors  
Manchester

### **BANK**

Alliance & Leicester Commercial Bank plc  
Bridle Road  
Bootle  
Merseyside  
GIR 0AA

# **SOVEREIGN GIMI LIMITED**

## **DIRECTORS' REPORT** (continued)

### **PERIOD FROM 7 APRIL 2003 TO 31 DECEMBER 2003**

The directors have pleasure in presenting their report and the financial statements of the company for the period from 7 April 2003 to 31 December 2003.

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the period was that of lessors and financiers, principally plant and equipment in the commercial sector.

The company was registered in Bermuda on 15 March 2002 and commenced trading in the United Kingdom on 7 April 2003. The accounts are for the period from 7 April 2003 to 31 December 2003 as this is the period from date of registration as an Overseas Company in the United Kingdom.

New business written in the period is disclosed in note 2 of the attached financial statements.

The future prospects of the company are considered satisfactory.

#### **RESULTS AND DIVIDENDS**

The trading results for the period, and the company's financial position at the end of the period are shown in the attached financial statements.

The directors have not recommended a dividend.

#### **DIRECTORS**

The directors who served the company during the period were as follows:

R L Banks	(Appointed 7 April 2003)
M W Evans	(Appointed 7 April 2003)
C S Jones	(Appointed 7 April 2003)
C R Morley	(Appointed 7 April 2003)
A B Swann	(Appointed 7 April 2003)
R L Towers	(Appointed 7 April 2003)

None of the directors holds any beneficial interest in the shares or debentures of this company. R L Banks, M W Evans, C R Morley, A B Swann and RL Towers are also directors of the immediate parent company and their interests in other group companies are shown in that company's accounts.

C S Jones has beneficial interest in 875 fully paid ordinary shares of 50p each in the ultimate parent undertaking, Alliance & Leicester plc at 31 December 2003 (nil shares at 7 April 2003, his date of appointment).

# SOVEREIGN GIMI LIMITED

## DIRECTORS' REPORT (continued)

### PERIOD FROM 7 APRIL 2003 TO 31 DECEMBER 2003

#### Options to acquire shares

C S Jones has options to subscribe for such shares granted under the terms of the Alliance & Leicester Share Option Schemes as follows:

Number of options			Exercise price	Market price at date of exercise	Exercise period	
At 07.04.2003	During the period					At 31.12.2003
	Granted	Exercised				
2,618			2,618	£3.644 §	01/11/2005- 01/05/2006	
2,455			2,455	£7.95 #	06/08/2005-06/08/2012	
	1,389		1,389	£7.54½ #	26/02/2006-26/02/2013	
	4,198		4,198	£7.54½ ~	26/02/2006-26/02/2013	
	5,177		5,177	£8.79½ ~	01/09/2006-01/09/2013	

§ Options granted under the Alliance & Leicester Sharesave Scheme

# Options granted under the Alliance & Leicester Approved Company Share Option Scheme

~ Options granted under the Alliance & Leicester Unapproved Company Share Option Scheme

The following table shows the options awarded to C S Jones under the deferred bonus scheme.

Bonus year		Value of award	Market value at date of grant	No. of shares under option	Exercise Price	Exercise Period
		£	£		£	
2003	Deferred shares	49,993	7.545	6,626	Nil	26/02/2006 -26/02/2010
2003	Matching shares	49,993	7.545	6,626	Nil	26/02/2006 -26/02/2010

Neither the matching or deferred shares option granted are subject to a performance objective.

# SOVEREIGN GIMI LIMITED

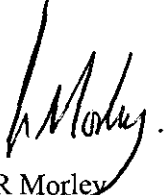
## DIRECTORS' REPORT *(continued)*

PERIOD FROM 7 APRIL 2003 TO 31 DECEMBER 2003

### AUDITORS

On 7 April 2003 Deloitte & Touche LLP were appointed as the company's auditors. A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming annual general meeting.

Signed on behalf of the directors

A handwritten signature in black ink, appearing to read 'C R Morley', is written over the printed name.

C R Morley  
Director

Approved by the directors on 26 January 2005.

# **SOVEREIGN GIMI LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

**PERIOD FROM 7 APRIL 2003 TO 31 DECEMBER 2003**

United Kingdom Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the period and of the profit or loss for the period then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 11 to 12, and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for establishing and maintaining systems of internal control, for the safeguarding of the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOVEREIGN GIMI LIMITED**

We have audited the financial statements of Sovereign Gimi Limited for the period from 7 April 2003 to 31 December 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with the Company's memorandum and articles under the terms of our engagement letter with Sovereign Gimi Limited dated 6 January 2005. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
SOVEREIGN GIMI LIMITED (CONTINUED)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of the profit for the period then ended and have been properly prepared in accordance with accounting principles generally accepted in the United Kingdom.

*Deloitte & Touche*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Manchester

*27 January 2005*

# SOVEREIGN GIMI LIMITED

## PROFIT AND LOSS ACCOUNT

PERIOD FROM 7 APRIL 2003 TO 31 DECEMBER 2003

	Note	Period from 7 Apr 03 to 31 Dec 03 £
Turnover	2	1,451,065
Cost of sales		(8,927)
Gross profit		<u>1,442,138</u>
Administrative expenses		(62,798)
Operating profit	3	<u>1,379,340</u>
Interest payable and similar charges	5	(1,306,687)
Profit on ordinary activities before taxation		<u>72,653</u>
Tax on profit on ordinary activities	6	(24,474)
Retained profit for the financial period		<u><u>48,179</u></u>

All of the activities of the company are classed as continuing.

The notes on pages 11 to 17 form part of these financial statements.

# **SOVEREIGN GIMI LIMITED**

## **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**PERIOD FROM 7 APRIL 2003 TO 31 DECEMBER 2003**

	<b>Period from 7 Apr 03 to 31 Dec 03 £</b>
Profit for the financial period attributable to the shareholders	<b>48,179</b>
Other direct credits	<b>475,288</b>
Total gains and losses recognised for the period	<b><u>523,467</u></b>

Other direct credits are explained in the notes to the financial statements, note 14, below.

The notes on pages 11 to 17 form part of these financial statements.

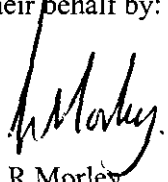
# SOVEREIGN GIMI LIMITED


## BALANCE SHEET

31 DECEMBER 2003

	Note	£	31 Dec 03 £
<b>Fixed assets</b>			
Tangible assets	7		-
<b>Current assets</b>			
Debtors due within one year	8	1,932,271	
Debtors due after one year	8	48,100,734	
		<u>50,033,005</u>	
<b>Creditors: Amounts falling due within one year</b>	10	<u>(47,298,490)</u>	
<b>Net current assets</b>			2,734,515
<b>Total assets less current liabilities</b>			<u>2,734,515</u>
<b>Provisions for liabilities and charges</b>			
Deferred taxation	11		<u>(2,682,223)</u>
<b>Net assets</b>			<u>52,292</u>
<b>Capital and reserves</b>			
Called-up equity share capital	13		12,000
Profit and loss account	14		40,292
<b>Equity shareholders' funds</b>	15		<u>52,292</u>

These financial statements were approved by the directors on the 26 January 2005 and are signed on their behalf by:

  
C R Morley  
Director

  
M W Evans  
Director

The notes on pages 11 to 17 form part of these financial statements.

# SOVEREIGN GIMI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 7 APRIL 2003 TO 31 DECEMBER 2003

### 1. Accounting policies

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards.

The principal accounting policies are summarised below. They have been applied consistently throughout the period.

The company has complied with the Statement of Recommended Practice on Accounting Issues in the Asset Finance and Leasing Industry, issued by the Finance and Leasing Association.

#### **Cash flow statement**

Under Financial Reporting Standard No 1 (revised 1996) "Cash flow statements" the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

#### **Related party transactions**

The company has taken advantage of the exemption offered by Financial Reporting Standard 8 "Related party disclosures" and is therefore not required to disclose transactions with other group companies.

#### **Finance and rental agreements**

In accordance with Statement of Standard Accounting Practice No. 21, "Accounting for leases and hire purchase contracts", the minimum lease payments receivable from finance lease and other finance agreements, less appropriate future income arising from finance charges, are included in debtors.

Assets acquired for the purpose of renting out under operating lease agreements are capitalised and depreciated in accordance with the accounting policy set out below.

Turnover comprises:

**Finance lease agreements:** the income component of repayments which are credited to the profit and loss account using methods which produce a constant rate of return on the net cash investment.

**Operating lease agreements:** accounting rentals recognised on a straight line basis over the period of the lease.

**Provisions for bad and doubtful debts:** a charge equal to the losses written off in the year, recoveries and the movement in provisions.

Cost of sales relates to:

**Operating lease agreements:** depreciation of operating lease assets.

# **SOVEREIGN GIMI LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**PERIOD FROM 7 APRIL 2003 TO 31 DECEMBER 2003**

### **1. Accounting policies *(continued)***

#### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

##### **Operating Lease Assets**

Depreciation is provided on operating lease assets at rates calculated to write off the cost of the assets, less estimated residual value, over their useful economic lives using methods which allocate depreciation charges on a systematic basis to the periods which are expected to benefit from their use.

Operating lease assets are regularly reviewed for impairment in accordance with Financial Reporting Standard No 11 "Impairment of fixed assets and goodwill". When an asset's carrying value has been impaired the amount is charged to the profit and loss account in the year of impairment.

#### **Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rate and the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

#### **Provisions for bad and doubtful debts**

Specific provisions are made in respect of finance and rental agreements where recovery is considered doubtful; a general provision is made for losses which, although not specifically identified, are known to be inherent in any portfolio of lending. The provisions are deducted from the net investment in finance agreements. The charge in the profit and loss account comprises write offs, recoveries and the net movement in provisions in the year. The charge has been deducted from turnover.

# SOVEREIGN GIMI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 7 APRIL 2003 TO 31 DECEMBER 2003

### 2. Turnover

Amounts receivable during the period from which turnover and gross profit are derived is as follows:

	Period from 7 Apr 03 to 31 Dec 03 £000
Amounts due on:	
Operating leases	17
Finance leases	455
	<u>472</u>

New business written in the period is as follows:

	Period from 7 Apr 03 to 31 Dec 03 £000
Operating leases	-
Finance leases	-
	<u>-</u>

### 3. Operating profit

Operating profit is stated after charging:

	Period from 7 Apr 03 to 31 Dec 03 £
Depreciation of owned fixed assets	8,927

The directors received no remuneration for their services to this company in the current period. The directors are also employees of the immediate parent company, Alliance & Leicester Commercial Finance plc and the majority of their activities relate to services carried out in relation to Alliance & Leicester Commercial Finance plc and other group companies. Therefore the directors deem it inappropriate to directly allocate any of their costs to the profit and loss account of this company.

Auditors' remuneration was borne by the immediate parent company, Alliance & Leicester Commercial Finance plc, in the current period.

### 4. Particulars of employees

No salaries or wages have been paid to employees, including the directors, during the period.

The company had no employees in the current period.

# SOVEREIGN GIMI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 7 APRIL 2003 TO 31 DECEMBER 2003

### 5. Interest payable and similar charges

	Period from 7 Apr 03 to 31 Dec 03 £
Amounts payable to immediate parent undertaking	<u>1,306,687</u>

### 6. Tax on profit on ordinary activities

#### (a) Analysis of charge in the period

	Period from 7 Apr 03 to 31 Dec 03 £
Current tax:	
In respect of the period:	
UK Corporation tax based on the results for the period at 30%	(2,657,749)
Total current tax charge	<u>(2,657,749)</u>

#### Deferred tax:

Origination and reversal of timing differences	<u>2,682,223</u>
Tax on profit on ordinary activities	<u>24,474</u>

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30%.

	Period from 7 Apr 03 to 31 Dec 03 £
Profit on ordinary activities before taxation	<u>72,653</u>
Profit/(loss) on ordinary activities by rate of tax	21,796
Capital allowances in excess of taxable lease receipts	(2,682,223)
Non deductible expenditure	<u>2,678</u>
Total current tax (note 6(a))	<u>(2,657,749)</u>

# SOVEREIGN GIMI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 7 APRIL 2003 TO 31 DECEMBER 2003

### 7. Tangible fixed assets

	Operating lease assets £
<b>Cost</b>	
At 7 April 2003	48,856,934
Transfer to finance leases	(48,856,934)
<b>At 31 December 2003</b>	<u>—</u>
<b>Depreciation</b>	
At 7 April 2003	544,591
Charge for the period	8,927
Transfer to finance leases	(553,518)
<b>At 31 December 2003</b>	<u>—</u>
<b>Net book value</b>	
<b>At 31 December 2003</b>	<u>—</u>

The underlying asset lease agreement was amended on 8th April 2003. Under the revised terms of the lease agreement the lease has now been classified as a finance lease and has therefore been transferred from tangible fixed assets to debtors.

### 8. Debtors

	31 Dec 03 £
Net investment in finance agreements (note 9)	<u>50,033,005</u>

The debtors above include the following amounts falling due after more than one year:

	31 Dec 03 £
Net investment in finance agreements	<u>48,100,734</u>

### 9. Finance agreements

	31 Dec 03 £
Net investment in finance agreements	<u>50,033,005</u>

### 10. Creditors: Amounts falling due within one year

	31 Dec 03 £
Amounts owed to group undertakings	<u>47,298,490</u>

# SOVEREIGN GIMI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 7 APRIL 2003 TO 31 DECEMBER 2003

### 11. Deferred taxation

	Period from 7 Apr 03 to 31 Dec 03 £
The movement in the deferred taxation provision during the period was:	
Profit and loss account movement arising during the period (note 6)	2,682,223
Provision carried forward	<u>2,682,223</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	31 Dec 03 £
Excess of taxation allowances over depreciation	2,687,096
Tax losses available	(4,873)
	<u>2,682,223</u>

### 12. Related party transactions

The company has taken advantage of the exemption offered by Financial Reporting Standard 8 "Related party disclosures" and is therefore not required to disclose transactions with other group companies.

### 13. Share capital

#### Authorised share capital:

	31 Dec 03 £
12,000 Ordinary shares of BM \$1 each	<u>12,000</u>

#### Allotted, called up and fully paid:

	No	£
Ordinary shares of BM\$1 each	<u>12,000</u>	<u>12,000</u>

# SOVEREIGN GIMI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 7 APRIL 2003 TO 31 DECEMBER 2003

### 14. Profit and loss account

	Period from 7 Apr 03 to 31 Dec 03 £
Balance brought forward	(483,175)
Retained profit for the financial period	48,179
Other direct credits	475,288
Balance carried forward	<u>40,292</u>

The conversation of the lease asset to a finance lease (see note 7) required the asset to be stated at the fair value, creating a gain of £475,288. The gain became realised at the point of conversion.

### 15. Reconciliation of movements in equity shareholders' funds

	31 Dec 03 £
Profit for the financial period	48,179
Other direct credits	475,288
Net addition to funds	<u>523,467</u>
Opening equity shareholders' deficit	(471,175)
Closing equity shareholders' funds	<u>52,292</u>

### 16. Ultimate parent company

The immediate parent company, Alliance & Leicester Commercial Finance plc, is a subsidiary of Alliance & Leicester plc which is the ultimate parent undertaking incorporated in England and Wales.

The largest Group in which the results of the company are consolidated is that headed by Alliance & Leicester plc. The consolidated accounts of this Group are available to the public and may be obtained from Carlton Park, Narborough, Leicester, LE19 0AL.

The smallest Group in which they are consolidated is that headed by Alliance & Leicester Commercial Finance plc, incorporated in England and Wales. The consolidated accounts of this Group are available to the public and may be obtained from 298 Deansgate, Manchester, M60 3AL.