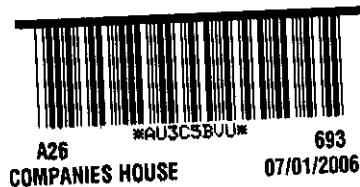


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**SOVEREIGN GIMI LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2004**



Company Registration Number FC024507

**SOVEREIGN GIMI LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2004**

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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**

### **YEAR ENDED 31 DECEMBER 2004**

The directors have pleasure in presenting their report and the audited financial statements of the company for the year ended 31 December 2004.

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

The principal activity of the company during the year was that of lessors and financiers, principally of high value assets in the commercial sector.

New business written in the year 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 year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend (period to 31 December 2003 - £ Nil).

#### **DIRECTORS**

The directors who served the company throughout the year were as follows:

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

None of the directors holds any beneficial interest in the shares or debentures of this company. R L Banks is a director of Alliance & Leicester plc, the ultimate parent company and his interests in other group companies are shown in that company's accounts. M W Evans, C R Morley, A B Swann and RL Towers are directors of the Alliance & Leicester Commercial Finance plc, 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 771 fully paid ordinary shares of 50p each in the ultimate parent undertaking, Alliance & Leicester plc, at 31 December 2004 (875 shares at 1 January 2004).

# SOVEREIGN GIMI LIMITED

## DIRECTORS' REPORT

### YEAR ENDED 31 DECEMBER 2004

#### 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 01.01.2004	During the period					At 31.12.2004
	Granted	Exercised				
2,618			2,618	£3.644 §	01/11/2006-01/05/2007	
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	
	5,098		5,098	£8.60 ~	02/03/2007-02/03/2014	
	6,046		6,046	£8.34 ~	28/07/2007-28/07/2014	

§ 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
2004	Deferred shares	54,997	8.600	6,395	Nil	02/03/2007 -02/03/2011
2004	Matching shares	54,997	8.600	6,395	Nil	02/03/2007 -02/03/2011

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

# SOVEREIGN GIMI LIMITED

## DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2004

### 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'.

C R Morley  
Director

Approved by the directors on 28 December 2005

# **SOVEREIGN GIMI LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

### **YEAR ENDED 31 DECEMBER 2004**

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 year and of the profit or loss for the year 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 year ended 31 December 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 15. 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 of association under the terms of our engagement letter with Sovereign Gimi Limited dated 28 July 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 or material inconsistencies with the financial statements.

### **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 2004 and of the profit for the year then ended and have been properly prepared in accordance with accounting principles generally accepted in the United Kingdom..

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Manchester

*6/1/06*

**SOVEREIGN GIMI LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2004**

	Note	Year to 31 Dec 04 £	Period from 7 Apr 03 to 31 Dec 03 £
Turnover	2	2,310,317	1,451,065
Cost of sales		—	(8,927)
Gross profit		<u>2,310,317</u>	<u>1,442,138</u>
Administrative expenses		(69,986)	(62,798)
Operating profit	3	<u>2,240,331</u>	<u>1,379,340</u>
Interest payable and similar charges	5	(2,141,345)	(1,306,687)
Profit on ordinary activities before taxation		<u>98,986</u>	<u>72,653</u>
Tax on profit on ordinary activities	6	(29,696)	(24,474)
Retained profit for the financial year/period	13	<u><u>69,290</u></u>	<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

YEAR ENDED 31 DECEMBER 2004

	Year to 31 Dec 04 £	Period from 7 Apr 03 to 31 Dec 03 £
Profit for the financial year/period attributable to the shareholders	69,290	48,179
Other direct credits	—	475,288
Total gains and losses recognised since the last annual report	<u>69,290</u>	<u>523,467</u>

Other direct credits are explained in the notes to the financial statements, note 13.

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

# SOVEREIGN GIMI LIMITED

## BALANCE SHEET

31 DECEMBER 2004

	Note	£	2004 £	£	2003 £
<b>Current assets</b>					
Debtors due within one year	7	2,201,688		1,932,271	
Debtors due after one year	7	48,569,508		48,100,734	
		<u>50,771,196</u>		<u>50,033,005</u>	
<b>Creditors: Amounts falling due within one year</b>	9	<u>(44,979,502)</u>		<u>(47,298,490)</u>	
<b>Net current assets</b>			<b>5,791,694</b>		<b>2,734,515</b>
<b>Total assets less current liabilities</b>			<u><b>5,791,694</b></u>		<u><b>2,734,515</b></u>
<b>Provisions for liabilities and charges</b>					
Deferred taxation	10		<u>(5,670,112)</u>		<u>(2,682,223)</u>
<b>Net assets</b>			<u><b>121,582</b></u>		<u><b>52,292</b></u>
<b>Capital and reserves</b>					
Called-up equity share capital	12		<b>12,000</b>		<b>12,000</b>
Profit and loss account	13		<b>109,582</b>		<b>40,292</b>
<b>Equity shareholders' funds</b>	14		<u><b>121,582</b></u>		<u><b>52,292</b></u>

These financial statements were approved by the directors on the 28 December 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

YEAR ENDED 31 DECEMBER 2004

### 1. Accounting policies

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom law and 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**

### **YEAR ENDED 31 DECEMBER 2004**

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

##### **Depreciation**

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

### YEAR ENDED 31 DECEMBER 2004

#### 2. Turnover

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

	Year to 31 Dec 04 £	Period from 7 Apr 03 to 31 Dec 03 £
Amounts due on:		
Operating leases	—	16,814
Finance leases	<u>1,714,328</u>	<u>454,700</u>
	<u>1,714,328</u>	<u>471,514</u>

New business written in the year is as follows:

	Year to 31 Dec 04 £	Period from 7 Apr 03 to 31 Dec 03 £
Operating leases	—	—
Finance leases	—	—
	<u>—</u>	<u>—</u>

#### 3. Operating profit

Operating profit is stated after charging:

	Year to 31 Dec 04 £	Period from 7 Apr 03 to 31 Dec 03 £
Depreciation of owned fixed assets	<u>—</u>	<u>8,927</u>

The directors received no remuneration for their services to this company in either the current year or the prior 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 both the current year and the prior period.

# SOVEREIGN GIMI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2004

#### 4. Particulars of employees

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

The company had no employees in either the current year or the prior period.

#### 5. Interest payable and similar charges

	Year to 31 Dec 04 £	Period from 7 Apr 03 to 31 Dec 03 £
Amounts payable to immediate parent undertaking	<u>2,141,345</u>	<u>1,306,687</u>

#### 6. Tax on profit on ordinary activities

##### (a) Analysis of credit in the year

	Year to 31 Dec 04 £	Period from 7 Apr 03 to 31 Dec 03 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (31 Dec 03 - 30%)	<u>(2,958,193)</u>	<u>(2,657,749)</u>
Total current tax credit	<u>(2,958,193)</u>	<u>(2,657,749)</u>
Deferred tax:		
Origination and reversal of timing differences	<u>2,987,889</u>	<u>2,682,223</u>
Total deferred tax charge (note 10)	<u>2,987,889</u>	<u>2,682,223</u>
Tax on profit on ordinary activities	<u>29,696</u>	<u>24,474</u>



# SOVEREIGN GIMI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2004

#### 6. Tax on profit on ordinary activities *(continued)*

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

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	Year to 31 Dec 04 £	Period from 7 Apr 03 to 31 Dec 03 £
Profit on ordinary activities before taxation	<u>98,986</u>	<u>72,653</u>
Profit on ordinary activities by rate of tax	29,696	21,796
Capital allowances in excess of taxable lease receipts	(2,987,889)	(2,682,223)
Non deductible expenditure by rate of tax	—	2,678
Total current tax (note 6(a))	<u>(2,958,193)</u>	<u>(2,657,749)</u>

#### 7. Debtors

	2004 £	2003 £
Net investment in finance agreements (note 8)	50,770,978	50,033,005
Prepayments and accrued income	<u>218</u>	<u>—</u>
	<u>50,771,196</u>	<u>50,033,005</u>

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

	2004 £	2003 £
Net investment in finance agreements	<u>48,569,508</u>	<u>48,100,734</u>

#### 8. Finance agreements

	2004 £	2003 £
Net investment in finance agreements	<u>50,770,978</u>	<u>50,033,005</u>

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

	2004 £	2003 £
Amounts owed to group undertakings	<u>44,979,502</u>	<u>47,298,490</u>

# SOVEREIGN GIMI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2004

#### 10. Deferred taxation

	2004 £	2003 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	2,682,223	—
Profit and loss account movement arising during the year (note 6)	2,987,889	2,682,223
Provision carried forward	<u>5,670,112</u>	<u>2,682,223</u>

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

	2004 £	2003 £
Excess of taxation allowances over depreciation	5,674,985	2,687,096
Tax losses available	(4,873)	(4,873)
	<u>5,670,112</u>	<u>2,682,223</u>

#### 11. 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.

#### 12. Share capital

##### Authorised share capital:

	2004 £	2003 £
12,000 Ordinary shares of BM \$1 each	<u>12,000</u>	<u>12,000</u>

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

	No	2004 £	No	2003 £
Ordinary shares of BM \$1 each	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>

# SOVEREIGN GIMI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2004

#### 13. Profit and loss account

	Year to 31 Dec 04 £	Period from 7 Apr 03 to 31 Dec 03 £
Balance brought forward	40,292	(483,175)
Retained profit for the financial year/period	69,290	48,179
Other direct credits	—	475,288
Balance carried forward	<u>109,582</u>	<u>40,292</u>

The conversion of the lease asset to a finance lease in the prior year 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.

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

	2004 £	2003 £
Profit for the financial year/period	69,290	48,179
Other direct credits	—	475,288
Net addition to funds	69,290	523,467
Opening equity shareholders' funds/(deficit)	52,292	(471,175)
Closing equity shareholders' funds	<u>121,582</u>	<u>52,292</u>

#### 15. Ultimate parent company

The immediate parent company, Alliance & Leicester Commercial Finance plc, is a subsidiary of Alliance & Leicester plc which is the controlling party and 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, M3 4HH.