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**LOXLEY INVESTMENTS LIMITED**

**Report and Financial Statements  
For the year ended 31 December 2004**

**REGISTERED NUMBER (CAYMAN): WK127159  
REGISTERED NUMBER (UK): FC024755**



# **LOXLEY INVESTMENTS LIMITED**

## **DIRECTORS' REPORT**

**For the year ended 31 December 2004**

The directors present their report together with the audited financial statements for the year ended 31 December 2004.

### **Review of Business**

The principal activity of the Company is to act as an investment company. No significant change in this activity is envisaged in the foreseeable future.

### **Results and Dividends**

During the year the Company made a profit after taxation of \$194,025,704 (prior period: \$71,087,260). Dividends of \$193,599,336 (prior period: \$70,880,631) were declared during the year of which \$187,780,776 was paid (prior period: \$64,533,112). The directors consider that the performance of the Company has been satisfactory during the year.

### **Directors**

The directors of the Company, who served during the year, together with their dates of appointment and resignation, where appropriate, are as shown below:

T Fryett (resigned 30 June 2004)  
D Hackett (resigned 31 March 2005)  
A Janisch (resigned 24 March 2004)  
S Poulter (resigned 24 March 2004)  
S Turnill (resigned 30 January 2004, re-appointed 17 September 2004, resigned 1 April 2005)  
E Kendall (appointed 3 February 2004)  
L Humphries (appointed 24 March 2004)  
A C Franz (appointed 17 September 2004)  
S S Haworth (appointed 24 March 2004, resigned 17 September 2004)  
A Ioannidis (appointed 25 April 2005)  
R Phelps (appointed 25 April 2005)

### **Directors' Interests in Shares** **(as defined by section 325 the Companies Act 1985)**

No disclosure is made as the directors have taken advantage of the modifications and exemptions from disclosure that are set out in the Overseas Companies (Accounts) (Modifications and Exemptions) Order 1990.

## **LOXLEY INVESTMENTS LIMITED**

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

**For the year ended 31 December 2004**

#### **Statement of Directors' Responsibilities**

The following statement, which should be read in conjunction with the Auditors' Report set out on pages 3 to 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the Auditors in relation to the financial statements.

The directors are required by the Companies Act 1985, as applicable to overseas companies, to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period.

The directors consider that in preparing the financial statements on pages 5 to 13,

- the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and
- that all the accounting standards which they consider to be applicable have been followed, and
- that the financial statements have been prepared on a going concern basis.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure the financial statements comply with the Companies Act 1985 as applicable to overseas companies.

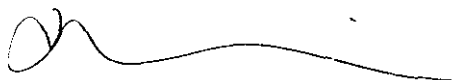
The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

#### **Auditors**

The directors have appointed PricewaterhouseCoopers LLP as auditors to the Company. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

**BY ORDER OF THE BOARD**

L Humphries



Director

Walker House  
Mary Street PO Box 908GT  
George Town  
Grand Cayman  
Cayman Islands  
25 April 2005

# **LOXLEY INVESTMENTS LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOXLEY INVESTMENTS LIMITED**

We have audited the financial statements on pages 5 to 13, which comprise the profit and loss account, the balance sheet, the cashflow statement and the related notes, which have been prepared under the historical cost convention, and the accounting policies set out on page 8.

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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 as applicable to overseas companies. 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

### **Basis of audit opinion**

We conducted our audit in accordance with 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 Company's circumstances, 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.

# LOXLEY INVESTMENTS LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOXLEY INVESTMENTS LIMITED (continued)

### Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2004 and of its profit and cashflows for the period then ended and have been properly prepared in accordance with the Companies Act 1985 as applicable to overseas companies.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

Date *25 April 2005*

**LOXLEY INVESTMENTS LIMITED****PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2004**

|   | Notes | 2004<br>\$            | 2003<br>\$            |
|---|-------|-----------------------|-----------------------|
| Administrative expenses                       |       | (6,457)               | (12,557)              |
| Operating loss                                |       | <u>(6,457)</u>        | <u>(12,557)</u>       |
| Interest receivable and similar income        | 3     | 288,492,195           | 105,476,953           |
| Profit on ordinary activities before taxation | 4     | <u>288,485,738</u>    | <u>105,464,396</u>    |
| Tax on profit on ordinary activities          | 5     | (94,460,034)          | (34,377,136)          |
| Profit on ordinary activities after taxation  |       | <u>194,025,704</u>    | <u>71,087,260</u>     |
| Dividends paid and payable                    | 6     | (193,599,336)         | (70,880,631)          |
| Retained profit for the period                |       | <u>426,368</u>        | <u>206,629</u>        |
| Retained profit brought forward               |       | 206,629               | -                     |
| Retained profit carried forward               |       | <u><u>632,997</u></u> | <u><u>206,629</u></u> |

All recognised gains and losses are included in the profit and loss account. Operating loss is derived from continuing activities. There is no difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis. The notes on pages 8 to 13 form an integral part of these financial statements.

# LOXLEY INVESTMENTS LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2004

|  | Notes | 2004<br>\$    | 2003<br>\$    |
|--|-------|---------------|---------------|
| FIXED ASSET INVESTMENTS                        | 7     | 4,002,952,366 | 4,002,955,754 |
| <b>CURRENT ASSETS</b>                          |       |               |               |
| DEBTORS: Amounts falling due within one year   | 8     | 8,356,151     | 9,079,765     |
| Cash at bank and in hand                       |       | 40,005,562    | 27,777,103    |
| CREDITORS: Amounts falling due within one year | 9     | (47,681,082)  | (36,605,993)  |
| NET CURRENT ASSETS                             |       | 680,631       | 250,875       |
| TOTAL ASSETS LESS CURRENT LIABILITIES          |       | 4,003,632,997 | 4,003,206,629 |
| NET ASSETS                                     |       | 4,003,632,997 | 4,003,206,629 |
| <b>CAPITAL AND RESERVES</b>                    |       |               |               |
| Equity share capital                           | 10    | 2,000,000     | 2,000,000     |
| Profit and loss account                        |       | 632,997       | 206,629       |
| TOTAL EQUITY SHAREHOLDERS' FUNDS               |       | 2,632,997     | 2,206,629     |
| Non-equity share capital                       | 10    | 4,001,000,000 | 4,001,000,000 |
| TOTAL SHAREHOLDERS' FUNDS                      | 11    | 4,003,632,997 | 4,003,206,629 |

A reconciliation of movement in shareholders' funds is given in note 11.

The notes on pages 8 to 13 form an integral part of these financial statements.

The financial statements on pages 5 to 13 were approved by the Board of Directors on 25 April 2005.



L Humphries  
Director

# LOXLEY INVESTMENTS LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2004

|   |       | 2004              | 2003              |
|---|-------|-------------------|-------------------|
|   | Notes | \$                | \$                |
| Net cash inflow/(outflow) from operating activities | 12    | 1,122             | (1,031)           |
| Returns on investments and servicing of finance     | 13    | 83,932,299        | 28,010,627        |
| Taxation  |       | (71,674,848)      | (923,991)         |
| Capital expenditure and financial investments       |       | -                 | 10,381            |
| Increase in cash during the year                    |       | <u>12,258,573</u> | <u>27,095,986</u> |

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

|                                  | 2004              | 2003              |
|----------------------------------|-------------------|-------------------|
|                                  | \$                | \$                |
| Increase in cash during the year | 12,258,573        | 27,095,986        |
| Change in net funds              | <u>12,258,573</u> | <u>27,095,986</u> |
| Net funds at start of year       | 27,776,072        | 680,086           |
| Net funds at end of year         | <u>40,034,645</u> | <u>27,776,072</u> |



# **LOXLEY INVESTMENTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. ACCOUNTING POLICIES**

#### **Basis of Accounting**

The financial statements have been prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards of the Accounting Standards Board and pronouncements of the Urgent Issues Task Force.

#### **Reporting Currency**

The Company's principal activities are undertaken in Canadian dollars and for this reason the accounts are prepared in Canadian dollars.

#### **Foreign Exchange**

Assets and liabilities in foreign currencies are translated into Canadian dollars at the exchange rate ruling at the balance sheet date except where rates of exchange are fixed under contractual arrangements. Trading results denominated in foreign currencies are translated into Canadian dollars at average rates of exchange during the year unless a contracted rate applied. All other exchange profits and losses, which arise from normal trading activities, are included in the profit and loss account.

#### **Investments**

Investment debt securities are stated at cost less any provision for impairment. Investment securities are intended for use on a continuing basis by the Company and have been identified as such.

#### **Derivative Financial Instruments**

The Company is party to financial instruments that reduce exposure to fluctuations in foreign currency exchange rates. These instruments comprise cross currency forward contracts. The purpose of these instruments is to reduce risk. Derivative financial instruments are accounted for on an accruals basis in line with the underlying assets or liabilities.

#### **Overseas Companies**

The financial statements have been prepared in accordance with the Companies Act 1985 applicable to overseas companies. The Company has taken advantage of the modifications and exemptions from disclosure that are set out in the Overseas Companies (Accounts) (Modifications and Exemptions) Order 1990.

### **2. DIRECTORS' EMOLUMENTS**

The directors did not receive any emoluments in respect of their services to the Company during the year ended 31 December 2004 (2003: Nil).

# LOXLEY INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 3. INTEREST RECEIVABLE AND SIMILAR INCOME

|  | 2004<br>\$         | 2003<br>\$         |
|--|--------------------|--------------------|
| Interest receivable from fixed asset investments | 287,839,911        | 105,401,992        |
| Other interest receivable                        | 652,284            | 74,961             |
|  | <u>288,492,195</u> | <u>105,476,953</u> |

### 4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

|  | 2004<br>\$   | 2003<br>\$    |
|--|--------------|---------------|
| Profit on ordinary activities before taxation is<br>stated after charging: - |              |               |
| Auditors' remuneration:  |              |               |
| Audit Services   | 7,579        | 11,526        |
|  | <u>7,579</u> | <u>11,526</u> |

There were no employees employed by the Company during the year (2003: Nil).

### 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

|                                      | 2004<br>\$        | 2003<br>\$        |
|--------------------------------------|-------------------|-------------------|
| United Kingdom: Corporation taxation | 83,189,417        | 30,405,113        |
| Overseas tax                         | 11,187,684        | 4,114,018         |
| Foreign exchange                     | 82,933            | (141,995)         |
|                                      | <u>94,460,034</u> | <u>34,377,136</u> |

The UK corporation tax charge is based on a standard UK corporation tax rate of 30%. The effective tax rate is higher than the standard tax rate as a result of foreign withholding tax suffered and foreign exchange. These differences are explained below.

# LOXLEY INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

|   | \$          | \$          |
|---|-------------|-------------|
| Profit on ordinary activities before taxation   | 288,485,738 | 105,464,396 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%) | 86,545,721  | 31,639,319  |
| Effects of:   |             |             |
| Overseas tax suffered   | 11,187,684  | 4,114,018   |
| Relief for overseas tax suffered  | (3,356,304) | (1,234,206) |
| Foreign exchange  | 82,933      | (141,995)   |
| Current tax charge for the year   | 94,460,034  | 34,377,136  |

### 6. DIVIDENDS PAID AND PAYABLE

|  | 2004<br>\$  | 2003<br>\$ |
|--|-------------|------------|
| Non-equity dividends paid and payable on Redeemable Shares | 193,599,336 | 70,880,631 |
|  | 193,599,336 | 70,880,631 |

### 7. FIXED ASSET INVESTMENTS

|                         | Investment in<br>Debt<br>securities<br>\$ | Government<br>securities<br>\$ | Total<br>\$   |
|-------------------------|---|--------------------------------|---------------|
| As at 31 December 2003  | 4,000,000,000                             | 2,955,754                      | 4,002,955,754 |
| Amortisation of premium | -   | (3,388)                        | (3,388)       |
| As at 31 December 2004  | 4,000,000,000                             | 2,952,366                      | 4,002,952,366 |

Fixed asset investments consist of Fixed Rate Deposit Notes issued by The Bank of Nova Scotia and Canadian government securities. The Fixed Rate Deposit Notes have a face value of JPY 346,238,000,000 (\$4,000,000,000) and pay interest at a rate of 2.3750% per annum. The market value of the Canadian government securities at 31 December 2004 is \$3,260,123 (2003: \$3,102,102).

# LOXLEY INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8. DEBTORS: Amounts falling due within one year

|                                    | 2004<br>\$       | 2003<br>\$       |
|------------------------------------|------------------|------------------|
| Amounts owed by group undertakings | 29,082           | -                |
| Other debtors                      | 8,327,069        | 9,079,765        |
|                                    | <u>8,356,151</u> | <u>9,079,765</u> |

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

|                                   | 2004<br>\$        | 2003<br>\$        |
|-----------------------------------|-------------------|-------------------|
| Amounts due to group undertakings | 13,301            | 2,970             |
| Corporation tax                   | 41,843,417        | 30,245,915        |
| Dividends payable                 | 5,816,785         | 6,345,582         |
| Accruals                          | 7,579             | 11,526            |
|                                   | <u>47,681,082</u> | <u>36,605,993</u> |

### 10. CALLED UP SHARE CAPITAL

|   | 2004<br>\$    | 2003<br>\$    |
|---|---------------|---------------|
| <b>Authorised:</b>  |               |               |
| <u>Attributable to equity interests:</u>                    |               |               |
| 2 Ordinary "A" Shares of \$1,000,000 each                   | 2,000,000     | 2,000,000     |
| <u>Attributable to non-equity interests:</u>                |               |               |
| 6,555 Cumulative Redeemable "B" Shares of \$ 1,000,000 each | 6,555,000,000 | 6,555,000,000 |
| 723 Redeemable "C" Shares of \$ 1,000,000 each              | 723,000,000   | 723,000,000   |
| <b>Allotted and fully paid:</b>                             |               |               |
| <u>Attributable to equity interests:</u>                    |               |               |
| 2 Ordinary "A" Shares of \$1,000,000 each                   | 2,000,000     | 2,000,000     |
| <u>Attributable to non-equity interests:</u>                |               |               |
| 3,278 Cumulative Redeemable "B" Shares of \$ 1,000,000 each | 3,278,000,000 | 3,278,000,000 |
| 723 Redeemable "C" Shares of \$ 1,000,000 each              | 723,000,000   | 723,000,000   |

# LOXLEY INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

The 2 issued Ordinary "A" Shares carry 67% of the voting rights of the Company on a proposed dissolution resolution and 33% of the voting rights in all other matters.

The 3,278 Cumulative Redeemable "B" Shares (the "B" shares) carry the right to fixed rate dividends of 5.8092% per annum payable monthly on a cumulative basis. In a vote on a proposed dissolution resolution, the "B" shares carry 33% of the voting rights. In all other matters, the "B" shares carry 67% of the vote.

The "B" Shares are redeemable at any time, subject to the holder giving the Company three business days' notice. The "B" Shares may be redeemed in cash or in specie. Where the redemption is in cash, the redemption amount will be the lower of the issue price of the shares and a share of the fair market value of the net assets of the Company based on the number of B shares in issue as a percentage of all shares in issue. Where there is a redemption in specie, the redemption amount will be the lower of the issue price of the shares and the fair market value of specified assets.

The 723 issued Redeemable "C" Shares (the "C" shares) are redeemable after the redemption of the "B" Shares, at their issue price, and carry no voting rights.

On unwind, the Company first pays any dividend due to the holders of the "B" shares. The Company then redeems the "B" Shares via an in specie distribution of its assets or a cash distribution, or combination of both. The "C" Shares are then entitled to any dividend declared but not paid and redemption of the "C" Shares. Thereafter, the remainder is due to the holder of the Ordinary "A" shares.

## 11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

|  | 2004<br>\$    | 2003<br>\$    |
|--|---------------|---------------|
| Profit for the year                      | 194,025,704   | 71,087,260    |
| Dividends                                | (193,599,336) | (70,880,631)  |
|  | <hr/>         | <hr/>         |
| Increase in shareholders' funds          | 426,368       | 206,629       |
| Opening shareholders' funds              | 4,003,206,629 | -             |
| Net proceeds on issue of ordinary shares | -             | 4,003,000,000 |
|  | <hr/>         | <hr/>         |
| Closing shareholders' funds              | 4,003,632,997 | 4,003,206,629 |
|  | <hr/>         | <hr/>         |

## LOXLEY INVESTMENTS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 12. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW/OUTFLOW FROM OPERATING ACTIVITIES

|   | 2004<br>\$ | 2003<br>\$ |
|---|------------|------------|
| Operating loss                                      | (6,457)    | (12,557)   |
| Changes in operating assets and liabilities:        |            |            |
| Increase in creditors                               | 7,579      | 11,526     |
|   | <hr/>      | <hr/>      |
| Net cash inflow/(outflow) from operating activities | 1,122      | (1,031)    |
|   | <hr/>      | <hr/>      |

#### 13. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

|   | 2004<br>\$    | 2003<br>\$   |
|---|---------------|--------------|
| Interest received from group undertakings | -             | 755,662      |
| Other interest received                   | 278,060,595   | 92,317,036   |
| Preference dividends paid                 | (194,128,296) | (65,062,071) |
|   | <hr/>         | <hr/>        |
|   | 83,932,299    | 28,010,627   |
|   | <hr/>         | <hr/>        |

#### 14. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under the provisions of Financial Reporting Standard 8 ("FRS 8"), Related Party Disclosures not to disclose transactions with other group companies since the Company is a wholly owned subsidiary of Barclays Bank PLC, the consolidated financial statements of which are publicly available. During the year there have been no undisclosed transactions with related parties other than group companies.

#### 15. ULTIMATE HOLDING COMPANY

The parent undertaking of the smallest group that presents group accounts is Barclays Bank PLC. The ultimate holding company and the parent company of the largest group that presents group accounts is Barclays PLC. Both companies are incorporated in Great Britain and registered in England and Wales. Barclays PLC's and Barclays Bank PLC's statutory accounts are available from the Group Corporate Secretariat, 54 Lombard Street, London EC3P 3AH. From 31 May 2005, the Company's registered office is expected to be changed to 1 Churchill Place, London E14 5HP.