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## Lakeside Finance

Directors' report and  
financial statements

**Year ended 30 September 2006**

*Registered number* 281572

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# Lakeside Finance

## Directors' report and financial statements

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# Lakeside Finance

## Directors and other information

### **Directors**

Gregory Croydon (U K )  
Nigel Gilpin (U K )  
Joanne Bower (U K )  
Trevor Slack (U K ) (resigned 18 August 2006)

### **Registered office**

1 Stokes Place  
St Stephen's Green  
Dublin 2

### **Secretary**

Helen Afford

### **Principal Banker**

Lloyds TSB Bank plc  
Colmore Row  
Birmingham  
B3 2DS

### **Auditors**

KPMG  
Chartered Accountants  
1 Harbourmaster Place  
International Financial Services Centre  
Dublin 1

# Lakeside Finance

## Directors' report

The directors submit their annual report together with the audited financial statements of the company for the year ended 30 September 2006

## Principal activities, business review and future developments

The company is engaged principally as a finance and holding company

## Results and dividends

The results for the year are set out on page 9 The directors have not declared a dividend for the year

## Post balance sheet event

On 10 January 2007 the Company sold its investment in Lakeside Treasury to IMI Overseas Investments Limited for US Dollars 790,400,000

## Directors and secretary and directors' interests

On 18 August 2006, Trevor Slack resigned as a director of the company

The directors and secretary who held office at 30 September 2006 had no interests other than those shown below, in the share capital, debentures or loan stock of the company or any group company

Director	Number of options over ordinary shares of 25p each in IMI plc.					Exercise Price Stg	Expiry Date
	30/09/2005	Granted	Exercised	Lapsed	30/09/2006		
Greg Croydon	42,000	-	(22,000)	-	20,000	3 580	24 03 07-24 03 14
Nigel Gilpin	40,000	-	(22,000)	-	20,000	3 580	24 03 07-24 03 14
Joanne Bower	15,000	-	(5,000)	-	10,000	3 580-4 205	24 03 07-23 03 15
Trevor Slack	383,000	-	(210,000)	-	173,000	3 580	24 03 07-24 03 14

## Number of ordinary shares of 25p each in IMI plc granted under an IMI Savings Related Share Option Scheme

	30/09/2005	Granted	Price Stg	Exercised	Lapsed	30/09/2006	Price Stg	Exercise
Greg Croydon	4,098	514	4 95	(2,283)	-	2,329	3 80-4 95	01 08 08-01 08 09
Nigel Gilpin	5,448	885	4 95	(2,283)	-	4,050	3 80-4 95	01 08 10-01 08 11
Joanne Bower	964	378	4 95	(389)	-	953	2 89-4 95	01 08 07-01 08 09
Trevor Slack	2,342	-	-	(2,342)	-	-	-	-

## Number of options over ordinary shares of 25p each in IMI plc granted under a Performance Share Plan

	30/09/2005	Granted	Exercised	30/09/2006	Price Stg	Date
Greg Croydon	8,500	6,000	-	14,500	3 887-5 6967	03 04 12-13 05 15
Nigel Gilpin	8,500	6,000	-	14,500	3 887-5 6967	03 04 12-13 05 15
Joanne Bower	-	1,300	-	1,300	5 697	03 04 12
Trevor Slack	83,900	-	-	83,900	3 887	03 04 12-13 05 15

# Lakeside Finance

## Directors' report *(continued)*

	Number of ordinary Shares of 25p each held in IMI plc.	
	30/09/05	30/09/06
Greg Croydon	25,836	19,528
Nigel Gilpin	393	2,676
Joanne Bower	548	-
Trevor Slack	78,101	73,868

### Accounting records

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to the books of account by employing a service provider with appropriate expertise and by providing adequate resources to the financial function. The books of account of the company are maintained at Lakeside, Solihull Parkway, Birmingham Business Park, Birmingham B37 7XZ, United Kingdom.

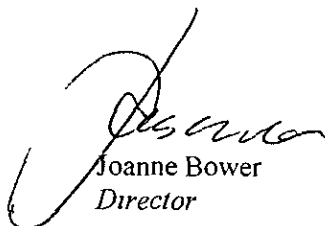
### Auditors

In accordance with Section 160(2) of the Companies Act, 1963, the auditors KPMG, Chartered Accountants will continue in office.

On behalf of the board



Gregory Croydon  
*Director*



Joanne Bower  
*Director*

5 April 2007

# Lakeside Finance

## Statement of directors' responsibilities

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 and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- 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 books of account 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 Acts, 1963 to 2006 and all Regulations to be construed as one with those Acts. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



Gregory Croydon  
*Director*



Joanne Bower  
*Director*

5 April 2007

# Lakeside Finance

## Independent auditors' report to the members of Lakeside Finance

We have audited the financial statements on pages 7 to 15

This report is made solely to the company's members, as a body, in accordance with section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we 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**

The directors are responsible for preparing the directors' report and, as described on pages 2 and 3, the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 Acts. As also required by the Acts, we state whether we have obtained all the information and explanations we require for our audit, whether the company's balance sheet is in agreement with the books of account and report to you our opinion as to whether

- the company has kept proper books of account,
- the directors' report is consistent with the financial statements,
- at the balance sheet date a financial situation existed that may require the company to hold an extraordinary general meeting, on the grounds that the net assets of the company, as shown in the financial statements, are less than half of its share capital.

We also report to you if, in our opinion, information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### **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.

# Lakeside Finance

## Independent auditors' report to the members of Lakeside Finance

### Opinion

In our opinion, the financial statements give a true and fair view of the state of the affairs of the company as at 30 September 2006 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and all Regulations to be construed as one with those Acts

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The balance sheet of the company is in agreement with the books of account.

In our opinion, the information given in the directors' report on pages 2 and 3 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 10, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 30 September 2006 a financial situation which, under section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

*KPMG*  
Chartered Accountants  
Registered Auditors

31 May 2007

# Lakeside Finance

## Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

### **Basis of accounting**

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention, and comply with financial reporting standards of the Accounting Standards Board, as promulgated by the Institute of Chartered Accountants in Ireland

The directors have availed of the exemption available to companies under Financial Reporting Standard 2, "Accounting for Subsidiary Undertakings", as its ultimate parent undertaking, IMI plc prepares consolidated financial statements into which Lakeside Finance is consolidated

The directors have decided to avail of the exemption available to subsidiary undertakings under Financial Reporting Standard 1 (Revised), "Cash Flow Statements", and accordingly have not prepared a cash flow statement

### **Foreign currency**

The financial statements are expressed in US Dollars, (US\$) Monetary assets and liabilities denominated in foreign currencies are translated into US\$ using the exchange rates prevailing at the balance sheet date or at exchange rates under forward currency contracts where such contracts exist for the relevant monetary assets and liabilities Profits and losses on these contracts are amortised over the life of the contracts and included in the profit and loss account

Transactions denominated in foreign currencies are recorded in US\$ at the exchange rates ruling at the date of the transactions Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account

Monetary assets are monies held and amounts to be received in cash All other assets are non-monetary assets

### **Income**

Income, which comprises interest on loans advanced, is taken to revenue on an accruals basis gross of any related withholding tax

### **Financial fixed assets**

Financial fixed assets are carried at cost less any provision for impairment in value

# Lakeside Finance

## Statement of accounting policies

### **Taxation**

Corporation tax is provided on taxable profits at the current rate

In accordance with FRS 19, "Deferred Tax", except where otherwise required by other accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date. Provision is made at the rates of taxation expected to prevail at the time of reversal.

A deferred tax asset is recorded where it is more likely than not to be recoverable. The recoverability of deferred tax assets is assessed annually by the directors.

# Lakeside Finance

## Profit and loss account

for the year ended 30 September 2006

		Year ended 30 September 2006 US\$	Year ended 30 September 2005 US\$
	<i>Note</i>		
Operating income - continuing activities	1	11,924,187	7,029,708
Operating expenses	2	(12,400)	(24,532)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>11,911,787</b>	<b>7,005,176</b>
Tax on profit on ordinary activities	5	(3,518,109)	(2,166,110)
		<hr/>	<hr/>
<b>Retained profit for the year</b>		<b>8,393,678</b>	<b>4,839,066</b>
<b>Profit and loss account at beginning of year</b>		<b>17,601,640</b>	<b>12,762,574</b>
		<hr/>	<hr/>
<b>Profit and loss account at end of year</b>		<b>25,995,318</b>	<b>17,601,640</b>
		<hr/> <hr/>	<hr/> <hr/>

The company had no recognised gains or losses in the financial year other than those set out in the profit and loss account and, accordingly, a statement of total recognised gains and losses is not presented

On behalf of the board



Gregory Croydon  
Director



Joanne Bower  
Director

# Lakeside Finance

## Balance sheet at 30 September 2006

	Note	30 September 2006 US\$	30 September 2005 US\$
<b>Fixed assets</b>			
Financial assets	6	587,004,000	587,004,000
<b>Current assets</b>			
Loans and advances	7	241,238,220	231,830,652
Debtors	8	3,772,098	795,952
Bank and cash		242,534	78,338
		<hr/>	<hr/>
		245,252,852	232,704,942
<b>Creditors: amounts falling due within one year</b>	9	(5,257,532)	(1,103,300)
		<hr/>	<hr/>
<b>Net current assets</b>		239,995,320	231,601,642
		<hr/>	<hr/>
<b>Net assets</b>		826,999,320	818,605,642
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	10	801,004,002	801,004,002
Profit and loss account		25,995,318	17,601,640
		<hr/>	<hr/>
<b>Shareholders' funds - equity</b>	11	826,999,320	818,605,642
		<hr/>	<hr/>

On behalf of the board



Gregory Croydon  
Director



Joanne Bower  
Director

# Lakeside Finance

## Notes

*(forming part of the financial statements)*

<b>1 Operating income</b>	<b>Year ended 30 September 2006 US\$</b>	<b>Year ended 30 September 2005 US\$</b>
Interest income	11,927,619	7,030,979
Interest expense	(3,432)	(1,271)
	<hr/>	<hr/>
	11,924,187	7,029,708
	<hr/>	<hr/>
<b>2 Operating expenses</b>	<b>Year ended 30 September 2006 US\$</b>	<b>Year ended 30 September 2005 US\$</b>
Administration expenses	12,400	24,532
	<hr/>	<hr/>
<b>3 Statutory and other information</b>	<b>Year ended 30 September 2006 US\$</b>	<b>Year ended 30 September 2005 US\$</b>
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration		
- Audit	12,400	11,641
<b>4 Staff numbers and costs</b>		

The company had no persons directly employed at any time during the financial year

# Lakeside Finance

## Notes (continued)

### 5 Taxation

	Year ended 30 September 2006 US\$	Year ended 30 September 2005 US\$
<b>(a) Analysis of charge in year</b>		
Corporation tax on profits for the year	3,518,109	2,148,553
Under provision in previous year	-	17,557
	<hr/>	<hr/>
<b>Total current tax (note 5(b))</b>	<b>3,518,109</b>	<b>2,166,110</b>
	<hr/>	<hr/>

### (b) Factors affecting tax charge in year

The tax assessed for the year is higher than the standard rate of corporation tax in Ireland of 12½% as the company became UK tax resident on 1 November 2003, where the standard rate of tax is 30%. The differences are explained below

	Year ended 30 September 2006 US\$	Year ended 30 September 2005 US\$
Profit on ordinary activities before tax	11,911,787	7,005,176
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30%	3,573,536	2,101,553
<i>Effects of</i>		
Prior year under provision in corporation tax	-	17,557
Movement in exchange rate of US\$ to £Sterling	(55,427)	47,000
	<hr/>	<hr/>
<b>Total current tax (note 5(a))</b>	<b>3,518,109</b>	<b>2,166,110</b>
	<hr/>	<hr/>

# Lakeside Finance

## Notes (continued)

### 6 Financial assets

	30 September 2006 US\$	30 September 2005 US\$
Shares in subsidiary undertaking	587,004,000	587,004,000

#### *Subsidiary undertakings*

<i>Name and registered office</i>	<i>Country of incorporation</i>	<i>Details of investment</i>	<i>Proportion held by company</i>	<i>Principal activity</i>
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#### *Investment held 30 September 2006 and at 30 September 2005*

Lakeside Treasury	Ireland	400,000,000 shares of US\$ 1 each	100%	Finance company
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In the opinion of the directors the shares in the company's subsidiary are worth at least the amount at which they are stated in the balance sheet

### 7 Loans and advances

	30 September 2006 US\$	30 September 2005 US\$
Due from group undertakings	241,238,220	231,830,652

All loans and advances fall due within one year

# Lakeside Finance

## Notes (continued)

### 8 Debtors

	30 September 2006 US\$	30 September 2005 US\$
Corporation tax receivable	2,636,268	-
Accrued interest receivable	1,135,830	795,952
	<u>3,772,098</u>	<u>795,952</u>

All debtors fall due within one year

### 9 Creditors: amounts falling due within one year

	30 September 2006 US\$	30 September 2005 US\$
Corporation tax payable	-	1,090,388
Other creditors	12,400	12,912
Due to group undertakings	5,245,132	-
	<u>5,257,532</u>	<u>1,103,300</u>

### 10 Share capital

	30 September 2006 US\$	30 September 2005 US\$
<i>Authorised:</i>		
1,000,000,000 ordinary shares of US\$1 each	<u>1,000,000,000</u>	<u>1 000,000,000</u>
<i>Allotted, called up and fully paid:</i>		
801,004,002 ordinary shares of US\$1 each	<u>801,004,002</u>	<u>801,004,002</u>

# Lakeside Finance

## Notes (continued)

### 11 Reconciliation of movements in shareholders' funds

	30 September 2006 US\$	30 September 2005 US\$
Total recognised gains and losses for year	8,393,678	4,839,066
Opening shareholders' funds	818,605,642	813,766,576
	<hr/>	<hr/>
Closing shareholders' funds	826,999,320	818,605,642
	<hr/>	<hr/>

### 12 Related parties

The company has availed of the exemption in Financial Reporting Standard No 8, "Related Party Disclosures", for undertakings consolidated by a parent owning more than 90% of the ordinary share capital and, accordingly, the details of transactions with fellow group undertakings are not disclosed. Details of the availability of the group's consolidated financial statements are given in note 13 below.

### 13 Group membership

The company's ultimate parent undertaking is IMI plc, a company incorporated and operating in the United Kingdom. The company's financial statements are included in the consolidated financial statements prepared by its ultimate controlling party, IMI plc. The consolidated financial statements can be obtained from IMI plc, Lakeside, Solihull Parkway, Birmingham Business Park, Birmingham, B37 7XZ, United Kingdom.

### 14 Post balance sheet event

On 10 January 2007 the company sold its investment in Lakeside Treasury to IMI Overseas Investments Limited for US Dollars 790,400,000. It is anticipated that the proceeds will be used to lend to other IMI subsidiaries to generate additional interest income.

### 15 Approval of financial statements

These financial statements were approved by the directors on 5 April 2007.