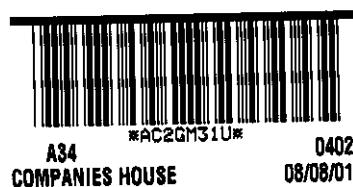


# **Investors Finance Company (Holdings) Limited**

## **Annual report**

**for the year ended 31 March 2001**



# Investors Finance Company (Holdings) Limited

## Contents

	<b>Pages</b>
Directors' report	1 – 2
Independent auditors' report	3 – 4
Consolidated profit and loss account	5
Consolidated balance sheet	6
Company balance sheet	7
Consolidated cash flow statement	8
Notes to the financial statements	9 – 18

# **Investors Finance Company (Holdings) Limited**

## **Directors' report for the year ended 31 March 2001 (continued)**

The directors present their report and the audited financial statements for the year ended 31 March 2001.

### **Principal activity**

Investors Finance Company (Holdings) Limited is a holding company for the finance company, Investors Finance Company Plc.

The group has established a program for the issue of publicly listed, credit enhanced bonds. During the year the group has issued bonds for a value of £23,200,000. These bonds have an annual interest rate of 6.5% and are redeemable at par on either 31 March or 30 September 2029.

### **Review of business and future developments**

The directors are satisfied with the year end financial position and expect the level of activity to be sustained in the foreseeable future.

### **Results and dividends**

The profit and loss account for the year is set out on page 5.

The directors do not recommend the payment of a dividend (period ended 31 March 2000: £nil).

### **Directors and their interests**

The directors of the company who held office during the year are given below:

Peter Hills  
Bryan Needham

None of the directors held any disclosable beneficial interests in the company at 31 March 2001, or at any time during the year.

# Investors Finance Company (Holdings) Limited

## Directors' report for the year ended 31 March 2001 (continued)

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. The directors are required to prepare the financial statements of the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

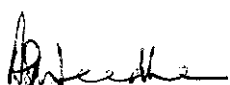
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2001 and that applicable accounting standards have been followed.

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

### Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



B. D. NEEDHAM

Director

22 May 2001

# **Investors Finance Company (Holdings) Limited**

## **Independent auditors' report to the members of Investors Finance Company (Holdings) Limited**

We have audited the financial statements on pages 5 to 18.

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

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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.

### **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.

# **Investors Finance Company (Holdings) Limited**

## **Independent auditors' report to the members of Investors Finance Company (Holdings) Limited (continued)**

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 March 2001 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

**PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London**

*22 May* 2001

# Investors Finance Company (Holdings) Limited

## Consolidated profit and loss account for the year ended 31 March 2001

	Notes	Year to 31 March 2001 £	Period to 31 March 2000 £
Administrative expenses		(63,015)	-
Other operating income	2	<u>96,388</u>	<u>(33,249)</u>
<b>Operating profit/(loss)</b>		<b>33,373</b>	<b>(33,249)</b>
Interest receivable and similar income	5	780,873	-
Interest payable and similar charges	6	<u>(758,155)</u>	<u>-</u>
<b>Profit/(loss) on ordinary activities before taxation</b>	3	<b>56,091</b>	<b>(33,249)</b>
Tax on profit/(loss) on ordinary activities	7	<u>(6,853)</u>	<u>-</u>
<b>Profit/(loss) for the year</b>	16	<u><b>49,238</b></u>	<u><b>(33,249)</b></u>

The profit on ordinary activities before taxation relates to continuing activities.

The group has no recognised gains or losses other than those shown in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

Comparative figures are for the period from 14 October 1998 to 31 March 2000.

# Investors Finance Company (Holdings) Limited

## Consolidated balance sheet at 31 March 2001

	Notes	2001 £	2000 £
<b>Current assets</b>			
Debtors			
- after more than one year	10	25,778,000	-
- within one year	10	4,885	2
Cash at bank and in hand	11	1,775,849	-
		<u>27,558,734</u>	<u>2</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	12	<u>(1,764,743)</u>	<u>(33,249)</u>
<b>Net current assets/(liabilities)</b>		<b>25,793,991</b>	<b>(33,247)</b>
Creditors: amounts falling due after more than one year	13	<u>(25,778,000)</u>	<u>-</u>
<b>Net liabilities</b>		<u><b>15,991</b></u>	<u><b>(33,247)</b></u>
<b>Capital and reserves</b>			
Called up share capital	15	2	2
Profit and loss account	16	15,989	(33,249)
<b>Equity shareholders' funds</b>	17	<u><b>15,991</b></u>	<u><b>(33,247)</b></u>

The financial statements on pages 5 to 18 were approved by the board of directors on 22 May 2001 and were signed on its behalf by:



Director

B. D. NEEDHAM




# Investors Finance Company (Holdings) Limited

## Company balance sheet at 31 March 2001

	Notes	2001 £	2000 £
<b>Investments</b>			
Investment in subsidiary undertaking	9	<u>50,000</u>	<u>50,000</u>
<b>Current assets</b>			
Debtors	10	2	2
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	12	<u>(50,000)</u>	<u>(50,000)</u>
<b>Net current liabilities</b>		<b>(49,998)</b>	<b>(49,998)</b>
<b>Net (liabilities)/assets</b>		<u><b>2</b></u>	<u><b>2</b></u>
<b>Capital and reserves</b>			
Called up share capital	15	2	2
Profit and loss account	16	-	-
<b>Equity shareholders' funds</b>		<u><b>2</b></u>	<u><b>2</b></u>

The financial statements on pages 5 to 18 were approved by the board of directors on  
22 May 2001 and were signed on its behalf by:



Director **B. D. NEEDHAM**

# Investors Finance Company (Holdings) Limited

## Consolidated cash flow statement for the year ended 31 March 2001

	Notes	Year to 31 March 2001 £	Period to 31 March 2000 £
Net cash outflow from operating activities	18	<u>(24,665,816)</u>	<u>-</u>
Returns on investments and servicing of finance			-
Interest received		775,990	-
Interest paid		<u>(112,325)</u>	<u>-</u>
Net cash inflow from returns on investments and servicing of finance		663,665	-
New cash outflow before financing		<u>(24,002,151)</u>	<u>-</u>
Financing			
Increase in borrowings		<u>25,778,000</u>	<u>-</u>
Net cash inflow from financing		<u>25,778,000</u>	<u>-</u>
Increase in cash in the year	20	<u><u>1,775,849</u></u>	<u><u>-</u></u>

# **Investors Finance Company (Holdings) Limited**

## **Notes to the financial statements**

### **1 Principal accounting policies**

#### **Basis of preparation**

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

#### **Going Concern**

At 31 March 2001 the group had net liabilities. The group has issued bonds to private investors in order to provide loan finance to private finance initiative projects. These loans are due to be settled at the same time that the bonds are due for repayment. The directors have projected that the group will generate sufficient funds to meet its liabilities as they fall due up until this time. The directors, therefore, consider it is appropriate for the financial statements to be prepared on a going concern basis.

#### **Basis of consolidation**

The consolidated financial statements include the company and its subsidiary undertaking.

#### **Deferred tax**

Taxation deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

#### **Financial instruments**

The group's principal financial instruments comprise bonds, loans and cash deposits. The purpose of these financial instruments is to finance the operations of private finance initiatives. The group has not included short-term debtors or short-term creditors in its disclosure of financial instruments.

Receipts and payments on interest rate instruments are recognised on an accruals basis.

The group had no derivative financial instruments during the year and does not trade in financial instruments.

# Investors Finance Company (Holdings) Limited

## Notes to the financial statements (continued)

### 1 Principle accounting policies (continued)

#### Financial instruments (continued)

The principal risks arising from the group's financial instruments are interest rate risk and liquidity risk. The directors review these risks and develop policies for managing each type of risk as follows:

- Interest rate risk – the group issues bonds to private investors and lends funds to private finance initiatives at fixed rates of interest. Cash balances carry floating rates of interest.
- Liquidity risk – the group balances the funding from private investors against amounts on-loaned to private finance initiatives.

#### Fixed asset investments

Fixed asset investments are included in the financial statements at cost.

### 2 Other operating income

	Year to 31 March 2001 £	Period to 31 March 2000 £
Recharged expenses	<u>96,388</u>	<u>33,249</u>

### 3 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities is stated after charging:

	Year to 31 March 2001 £	Period to 31 March 2000 £
Auditors' remuneration		
Audit services (company £4,350 (2000: £nil))	<u>13,800</u>	<u>7,000</u>

Fees paid to PricewaterhouseCoopers for non-audit services to the group were £36,218 (company £8,225), (period ended 31 March 2000: £13,200; company £nil).

No staff were directly employed by the company or the group in either this or previous period.

# Investors Finance Company (Holdings) Limited

## Notes to the financial statements (continued)

### 4 Directors' emoluments

The directors did not receive any emoluments in respect of their services to the company or the group in either this or the previous period.

### 5 Interest receivable and similar income

	Year to 31 March 2001 £	Period to 31 March 2000 £
Bank interest	21,813	-
Loan interest	759,060	-
	<u>780,873</u>	<u>-</u>

### 6 Interest payable and similar charges

	Year to 31 March 2001 £	Period to 31 March 2000 £
Bank interest	176	-
Interest on bonds issued	636,837	-
Interest of loans	121,142	-
	<u>758,155</u>	<u>-</u>

### 7 Tax on profit/(loss) on ordinary activities

	Year to 31 March 2001 £	Period to 31 March 2000 £
United Kingdom corporation tax at 30% (31 March 2000:30%)	6,853	-

The tax charge for the year is reduced by brought forward losses.

### 8 Profit/(loss) for the year

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company had no profit or loss for the year (period ended 31 March 2000: £nil).

# Investors Finance Company (Holdings) Limited

## Notes to the financial statements (continued)

### 9 Investments

	Company 2001 £	Company 2000 £
<b>Fixed asset investments</b>		
<b>Cost</b>		
At 31 March 2001 and 31 March 2000	<u>50,000</u>	<u>50,000</u>

Investments in group undertakings are stated at cost. The company holds 99.9% of the share capital of Investors Finance Company Plc. The Investors Finance Company Plc is a finance company which has established a programme for the issue of publicly listed, credit enhanced bonds.

### 10 Debtors

	Group 2001 £	Company 2001 £	Group 2000 £	Company 2000 £
<b>Due within one year</b>				
Amounts owed by group undertakings	2	2	2	2
Prepayments and accrued income	4,883	-	-	-
	<u>4,885</u>	<u>2</u>	<u>2</u>	<u>2</u>
<b>Due after more than one year</b>				
Loans	<u>25,778,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 11 Cash at bank and in hand

Included in group cash at bank and in hand are amounts totalling £1,112,000 (31 March 2000: £nil) that are held in separate accounts and are only available to meet any liabilities that may fall due if the company does not receive interest due on loans issued. The corresponding liability is included in other creditors.

# Investors Finance Company (Holdings) Limited

## Notes to the financial statements (continued)

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

	Group 2001 £	Company 2001 £	Group 2000 £	Company 2000 £
Trade creditors	-	-	9,000	-
Corporation tax	6,853	-	-	-
Amounts owed to group undertakings	-	50,000	-	50,000
Other creditors	1,112,000	-	9,341	-
Accruals	645,890	-	14,908	-
	<u>1,764,743</u>	<u>50,000</u>	<u>33,249</u>	<u>50,000</u>

Other creditors includes an amount of £1,112,000 (31 March 2000: £nil) in respect of funds held in separate accounts as detailed in note 11.

### 13 Creditors: amounts falling due after more than one year

	Group 2001 £	Company 2001 £	Group 2000 £	Company 2000 £
Loans	2,578,000	-	-	-
Bonds issued	23,200,000	-	-	-
	<u>25,778,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

The loans are unsecured and bear interest at annual rates of 10.9% and 12.4% (see note 14 below). The loans are repayable in full on either 31 March or 30 September 2029.

Included in loans is an amount of £2,578,000 (2000: £nil) in respect of subordinated debt. In the event of the subsidiary undertaking being wound up, no amount will be paid in respect of this subordinated debt until all other creditors have been paid in full.

The bonds issued are unsecured, bear interest at an annual rate of 6.5% and are repayable at par on either 31 March or 30 September 2029.

### 14 Financial instruments

In accordance with the group's accounting policies set out on pages 9 and 10, the Board reviews the financial risks arising from the group's financial instruments and agrees policies for managing these risks. The Board considers that the year end position of the group is in line with those policies.

# Investors Finance Company (Holdings) Limited

## Notes to the financial statements (continued)

### 14 Financial instruments (continued)

#### Short-term debtors and creditors

Short-term debtors and creditors have been excluded from the following disclosures, as permitted under FRS13, "Derivatives and other financial instruments".

#### Interest rate risk profile of financial assets and liabilities

The interest rate risk profile of the group's financial liabilities at 31 March 2001 was as follows:

	Fixed rate financial liabilities 2001 £	Fixed rate financial liabilities 2000 £
Currency-sterling	<u>25,778,000</u>	<u>-</u>

The weighted average interest rate on the fixed rate financial liabilities is 6.96% (31 March 2000: nil).

The interest rate risk profile of the group's financial assets at 31 March 2001 was as follows:

	Cash at hand and in bank £	Debtors over one year £	Total 2001 £	Cash at bank and in hand £	Debtors over one year £	Total 2000 £
Currency-sterling	<u>1,775,849</u>	<u>25,778,000</u>	<u>27,553,849</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fixed rate financial assets	-	25,778,000	25,778,000	-	-	-
Floating rate financial assets	1,774,929	-	1,774,929	-	-	-
Financial assets on which no interest is paid	920	-	920	-	-	-
Total	<u>1,775,849</u>	<u>25,778,000</u>	<u>27,553,849</u>	<u>-</u>	<u>-</u>	<u>-</u>

The floating rate of interest is based upon prevailing bank lending rates.

The weighted average interest rate on the fixed rate financial assets is 6.97%, (2000: nil).



# Investors Finance Company (Holdings) Limited

## Notes to the financial statements (continued)

### 14 Financial instruments (continued)

Rates are fixed as follows:

	£
<b>Maturity:</b>	9,444,000
31 March 2029	16,334,000
30 September 2029	
	<u>25,778,000</u>

The weighted average period for which interest rates are fixed on the financial assets and liabilities is 29 years (31 March 2000: nil).

### Maturity of financial assets and liabilities

The maturity profile of the carrying amount of the group's financial liabilities at 31 March 2001 was as follows:

	<b>Debt 2001</b>	<b>Debt 2000</b>
	£	£
Over five years	<u>25,778,000</u>	-

The maturity profile of the carrying amount of the group's financial assets at 31 March 2001 was as follows:

	<b>Cash at bank and in hand</b>	<b>Debt</b>	<b>Total 2001</b>	<b>Cash at bank and in hand</b>	<b>Debt</b>	<b>Total 2000</b>
	£	£	£	£	£	£
Within one year or on demand	1,775,849	-	1,775,849	-	-	-
Over five years	-	25,778,000	25,778,000	-	-	-
	<u>1,775,849</u>	<u>25,778,000</u>	<u>27,553,849</u>	<u>-</u>	<u>-</u>	<u>-</u>

### Borrowing facilities

The group has no undrawn committed borrowing facilities available at 31 March 2001 (31 March 2000: £nil).

### Fair values of financial assets and liabilities

In the opinion of the directors, the fair values of the group's primary financial instruments held or issued to finance the group's operations, approximate to the equivalent carrying values thereof.

# Investors Finance Company (Holdings) Limited

## Notes to the financial statements (continued)

### 15 Called up share capital

	2001 £	2000 £
<b>Group and Company</b>		
Authorised 100 ordinary shares of £1 each	100	100
Issued, allotted and fully paid 2 ordinary shares of £1 each	2	2

### 16 Profit and loss

	Group £	Company £
At 1 April 2000	(33,249)	-
Profit for the year	49,238	-
<b>Retained loss at 31 March 2001</b>	<b>15,989</b>	<b>-</b>

### 17 Reconciliation of movements in shareholders' funds

	Group 2001 £	Group 2000 £
Proceeds of issue of share capital	-	2
Profit/(loss) for the year	49,238	(33,249)
<b>Net movement in shareholders' funds</b>	<b>49,238</b>	<b>(33,247)</b>
<b>Shareholders' funds at 1 April 2000</b>	<b>(33,247)</b>	<b>-</b>
<b>Shareholders' funds at 31 March 2001</b>	<b>15,991</b>	<b>(33,247)</b>

# Investors Finance Company (Holdings) Limited

## Notes to the financial statements (continued)

### 18 Reconciliation of operating profit/(loss) to net cash flow from operating activities

	Year to 31 March 2001 £	Period to 31 March 2000 £
Operating profit/(loss)	33,373	(33,249)
Increase in debtors	(25,778,000)	-
Increase in creditors	1,078,811	33,249
Net cash outflow from operating activities	<u>(24,665,816)</u>	<u>-</u>

### 19 Analysis and reconciliation of net debt

	1 April 2000 £	Cash Flow £	31 March 2001 £
Cash at bank and in hand	-	1,775,849	1,775,849
Debt due after one year	-	(25,778,000)	(25,778,000)
Total	<u>-</u>	<u>(24,002,151)</u>	<u>(24,002,151)</u>

### 20 Reconciliation of net cash flow to movement in net debt

	Year to 31 March 2001 £	Period to 31 March 2000 £
Movement in cash in the year	1,775,849	-
Cash inflow from increase in net debt	<u>(25,778,000)</u>	<u>-</u>
Movement in net debt in the year	<u>(24,002,151)</u>	<u>-</u>
Net debt at 1 April 2000	<u>-</u>	<u>-</u>
Net debt at 31 March 2001	<u>(24,002,151)</u>	<u>-</u>

# **Investors Finance Company (Holdings) Limited**

## **Notes to the financial statements (continued)**

### **21 Ultimate parent undertaking**

The directors regard the shareholder, the Royal Exchange Trust Company Limited, a company registered in England and Wales, as the ultimate parent undertaking and controlling party.

### **22 Related party transactions**

The group has taken advantage of the exemption under the provision of Financial Reporting Standard 8 "Related Party Disclosures" from disclosing transactions or balances between group undertakings that have been eliminated on consolidation.