

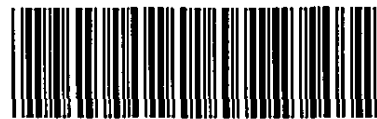
**GESB PLC**

**Directors' report and financial  
statements**

**Registered number 2883741**

**31 January 2012**

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## **Directors' report**

The directors present their report and audited financial statements for the year ended 31 January 2012

### **Principal activities**

The company is a special purpose vehicle originally set up in 1994. Its only activity is to hold debenture stock which was acquired on 12 July 1994 and to service bonds acquired on the same date to finance the purchase.

The company has no real competitors and is not subject to any specific legal or regulatory legislation.

GESB PLC's main overall financial aim is to break even at the end of its 25 year life.

### **Financial risks**

The financial risks of the company were addressed by the directors when the company set up the financial agreements. The company's financial receivables are loans due from housing associations via an intermediate company and its financial payables are issued bonds. The financial liabilities are matched by the same nominal value of financial assets. The interest rates are fixed eliminating interest rate risks.

Professional services fees have been fixed to a degree which, in conjunction with the above, results in a steady surplus for the life of this special purpose vehicle.

The recoverability of the investment in unlisted debt securities is dependent on the collections from underlying receivables. Receivables are considered impaired when it is probable that the Company will be unable to collect all amounts due according to the relevant contractual terms. The key assumptions for recoverability relate to estimates of the probability of any account going into default, cash flows from borrowers' accounts, their timing and expected proceeds from the sale of repossessed collateral. These key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available.

In addition, the directors consider how appropriate past trends and patterns could impact the current economic climate and may make any adjustments they believe are necessary to reflect the current economic and market conditions.

The Directors have considered the investment in unlisted debt securities and are satisfied that it is fully recoverable.

### **Results and dividends**

The company made a loss after taxation of £13,824 (*2011 profit of £1,798*) during the year and the directors do not recommend the payment of a dividend (*2011 £nil*).

### **Directors and directors' interest**

The following directors held office during the year:

Wilmington Trust SP Services (London) Limited  
Mr M McDermott  
Mr J C Schroeder

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

## Directors' report

### Policy and practice on payment of creditors

It is the Company's policy that payments made to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers. The Company owed no amounts to trade creditors at 31 January 2012 (*31 January 2011 Nil*)

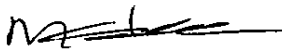
### Disclosure of information to auditors

The directors who held office at the date of the approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant information and to establish that the Company's auditors are aware of that information

### Auditors

In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



**Ms. Mignon Clarke**  
**On behalf of Wilmington Trust SP Services (London)**  
**Limited**  
*Director*

Third Floor, 1 King's Arms Yard  
London  
EC2R 7AF

9 July 2012

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing these 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have a 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.

**KPMG Audit Plc**

8 Salisbury Square  
London  
EC4Y 8BB

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GESB PLC**

We have audited the financial statements of GESB PLC for the year ended 31 January 2012 set out on pages 6 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with chapters 3 of part 16 of the Companies Act 2006. 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 auditor's 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 explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 January 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GESB PLC**  
*(continued)*

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

**A Turner (Senior Statutory Auditor)**  
**For and on behalf of KPMG Audit Plc, Statutory Auditor**  
Chartered Accountants  
8 Salisbury Square  
London  
EC4Y 8BB

18 July 2012

**Profit and loss account**  
*for the year ended 31 January 2012*

	<i>Note</i>	<b>2012</b> <b>£</b>	<b>2011</b> <b>£</b>
Income from fixed asset investments	5	9,589,643	9,513,531
Interest payable and similar charged on bonds in issue	6	(9,295,146)	(9,246,422)
		<hr/>	<hr/>
Administrative expenses		294,497 (308,749)	267,109 (266,551)
		<hr/>	<hr/>
<b>Operating (Loss)/profit</b>		<b>(14,252)</b>	<b>558</b>
Other interest receivable and similar income	7	428	445
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>	2	<b>(13,824)</b>	<b>1,003</b>
Tax on (loss)/profit on ordinary activities	8	-	795
		<hr/>	<hr/>
<b>(Loss)/profit for the financial year</b>	<i>18, 19</i>	<b>(13,824)</b>	<b>1,798</b>
		<hr/>	<hr/>

A statement of recognised gains and losses has not been included as part of these financial statements as the company made no gains or losses in the period other than disclosed in the profit and loss account

The results from the year arise from continuing operations for both the current and preceding year. A note on historical cost gains and losses has not been included as part of the financial statements as the result as disclosed in the profit and loss account are prepared on an unmodified cost basis.



**Balance sheet**  
*at 31 January 2012*

	<i>Note</i>	2012	2011
		£	£
<b>Fixed assets</b>			
Investments	9	96,216,514	95,383,352
<b>Current assets</b>			
Debtors			
Falling due within one year	10	2,307,996	2,278,415
Falling due after more than one year	11	2,424,407	2,713,925
		<u>4,732,403</u>	<u>4,992,340</u>
Cash at bank and in hand		169,368	191,609
		<u>4,901,771</u>	<u>5,183,949</u>
Creditors: amounts falling due within one year	12	(1,870,822)	(1,870,817)
<b>Net current assets</b>		<u>3,030,949</u>	<u>3,313,132</u>
<b>Total assets less current liabilities</b>		<u>99,247,463</u>	<u>98,696,484</u>
Creditors: amounts falling due after more than one year	13	(99,017,427)	(98,452,624)
Provision for liabilities and charges	14	(15,899)	(15,899)
<b>Net assets</b>		<u>214,137</u>	<u>227,961</u>
<b>Capital and reserves</b>			
Called up share capital	15	50,000	50,000
Profit and loss account	18	164,137	177,961
<b>Equity shareholders' funds</b>	19	<u>214,137</u>	<u>227,961</u>

These financial statements of GESB Plc, registration number 02883741, were approved by the board of directors on 9 July 2012 and were signed on its behalf by



**Ms Mignon Clarke**  
On behalf of Wilmington Trust SP Services (London) Limited  
Director

**Cash flow statement**  
*for the year ended 31 January 2012*

	<i>Note</i>	<b>2012</b> £	<b>2011</b> £
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Operating (loss)/profit		(14,252)	558
Amortisation of discount on debt securities issued	6	564,803	516,079
Amortisation of discount of debt securities purchased	5	(833,162)	(757,050)
Decrease in debtors		259,956	233,419
Increase in creditors		5	65
		<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>		<b>(22,650)</b>	<b>(6 929)</b>
		<hr/>	<hr/>
<b>Cash flow statement</b>			
Cash flow from operating activities		(22,650)	(6,929)
Return on investments and servicing of finance	16	409	445
		<hr/>	<hr/>
Decrease in cash in the year		<b>(22,241)</b>	<b>(6 484)</b>
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Decrease in cash in the year	17	(22,241)	(6,484)
Net funds at the start of the year		191,609	198,093
		<hr/>	<hr/>
Increase in cash in the year		<b>169,368</b>	<b>191 609</b>
		<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 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 preparation*

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

#### *Investments*

Investments consist of 8 3/8% debenture stock 2018 and are recorded at cost, plus or minus accrued premium or discount on acquisition which is amortised to generate a constant yield to maturity

The directors annually review the key assumptions regarding the value of the unlisted debt securities and evaluate the recoverability of the investment

#### *Debt securities issued*

Listed debt securities consist 8 35% guaranteed secured bonds 2018 and are recorded at cost, plus or minus accrued premium or discount on issue which is amortised to generate a constant yield to maturity

#### *Taxation*

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, as otherwise required by FRS19

#### *Cash and cash equivalents*

Cash and cash equivalents comprise deposits in the Company's bank accounts. These deposits are available on demand

### 2 (Loss)/profit on ordinary activities before taxation

	2012	2011
<i>(Loss)/profit on ordinary activities before taxation is stated after charging.</i>	<i>£</i>	<i>£</i>
Auditors' remuneration		
Audit of these financial statements	4,818	4,818
Amounts receivable by the auditors and their associates in respect of		
Other services relating to taxation	5,640	3,172
	<u>          </u>	<u>          </u>

**Notes (continued)**

**3 Remuneration of directors**

None of the other directors received remuneration for their services except for Wilmington Trust SP Services (London) Limited which received a fee for its services as described in note 20

**4 Staff numbers and costs**

The company had no employees during the year (2011 no employees)

**5 Income from fixed asset investments**

	2012 £	2011 £
Income from fixed asset investments		
Unlisted debt securities	8,756,481	8,756,481
Amortised discount	833,162	757,050
	<u>9,589,643</u>	<u>9,513,531</u>

**6 Interest payable and similar charges on bonds in issue**

	2012 £	2011 £
Interest paid on debt securities in issue	8,730,343	8,730,343
Amortised discount	564,803	516,079
	<u>9,295,146</u>	<u>9,246,422</u>

**7 Other interest receivable and similar income**

	2012 £	2011 £
Bank interest received	428	445
	<u>428</u>	<u>445</u>

**Notes (continued)**

**8 Taxation**

	2012 £	2011 £
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Prior year adjustment	-	-
	<hr/>	<hr/>
Total current tax	-	-
Deferred tax ( <i>see note 14</i> )	-	(795)
	<hr/>	<hr/>
<b>Tax on profit on ordinary activities</b>	<b>-</b>	<b>(795)</b>
	<hr/>	<hr/>

***Factors affecting the tax charge for the year***

The current tax charge for the year is higher than the standard rate of corporation tax in the UK (21%, 2011 21%) The differences are explained below

	2012 £	2011 £
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before taxation	(13,824)	1,003
	<hr/>	<hr/>
Current tax charge at 21% (2011 21%)	(2,903)	211
	<hr/>	<hr/>
Effects of		
Trade losses carried forward	2,903	-
Utilised trade losses		(211)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

At 31 January 2012 the company has an unrecognised deferred tax asset of £3,381 (2011 £478) related to trading losses carried forward of £16,100 (2011 £2,276)

The deferred tax asset as at 31 January 2012 has not been recognised in the financial statements because in the opinion of the directors it cannot be estimated with reasonable certainty that there will be sufficient future taxable profits against which to utilise these tax losses

**Notes (continued)**

**9 Fixed asset investments**

	Cost £	Amortised discount £	Total £
At beginning of year	88,790,558	6,592,794	95,383,352
Amortised discount in year	-	833,162	833,162
	<hr/>	<hr/>	<hr/>
At end of year	88,790,558	7,425,956	96,216,514
	<hr/>	<hr/>	<hr/>

The fixed asset investment comprises unlisted debt securities. The debenture stock purchased has been pledged to Royal Exchange Trust Company Limited as security for debt securities issued.

The Directors have considered the above investment and are satisfied that it is fully recoverable.

**10 Debtors: due within one year**

	2012 £	2011 £
Prepayments and accrued income	2,307,996	2,278,415
	<hr/>	<hr/>
	2,307,996	2,278,415
	<hr/>	<hr/>

**11 Debtors: due after more than one year**

	2012 £	2011 £
Prepayments and accrued income	2,424,407	2,713,925
	<hr/>	<hr/>
	2,424,407	2,713,925
	<hr/>	<hr/>

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

	2012 £	2011 £
Accruals and deferred income	1,870,822	1,870,817
	<hr/>	<hr/>
	1,870,822	1,870,817
	<hr/>	<hr/>

**Notes (continued)**

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

	2012 £	2011 £
Debt securities in issue at cost	93,811,974	93,811,974
Amortised discount	5,205,453	4,640,650
	<u>99,017,427</u>	<u>98,452,624</u>
Amounts repayable, other than by instalments, after more than five years	<u>99,017,427</u>	<u>98,452,624</u>

The £104,555,000 8 35% debenture stock was issued on 12 July 1994 and is to be redeemed on 15 November 2018, interest is paid bi-annually

**14 Provisions for liabilities and charges**

	Deferred Taxation £
At beginning of year	15,899
Movement in the year	-
At end of year	<u>15,899</u>

The liability relates to taxation on the amortised discounts that will crystallize when the bonds mature in November 2018

The elements of deferred taxation are as follows

	2012 £	2011 £
Other timing differences	<u>15,899</u>	<u>15,899</u>

*Factors that may affect the future tax charges*

Changes in the UK corporation tax rates and legislation between the date of the financial statements and the date the bond mature in November 2018 may impact on the deferred tax liability

**15 Called up share capital**

	2012 £	2011 £
<i>Authorised</i>		
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
<i>Allotted, called up and paid</i>		
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

**Notes (continued)**

**16 Analysis of cash flows**

	2012 £	2011 £
<b>Return on investments and servicing of finance</b>		
Bank interest received	409	445
	<u>409</u>	<u>445</u>

**17 Analysis of net funds**

	At beginning of year £	Cash flow £	At end of the year £
Cash at bank	191,609	(22,241)	169,368
Total	<u>191,609</u>	<u>(22,241)</u>	<u>169,368</u>

**18 Reconciliation of movement in the profit and loss account**

	2012 £	2011 £
(Loss)/profit for the financial year	(13,824)	1,798
Opening balance of profit and loss account	177,961	176,163
Closing balance of profit and loss account	<u>164,137</u>	<u>177,961</u>

**19 Reconciliation of movements in shareholders' funds**

	2012 £	2011 £
(Loss)/profit for the financial year	(13,824)	1,798
Opening balance of shareholders' funds	227,961	226,163
Closing balance of shareholders' funds	<u>214,137</u>	<u>227,961</u>



**Notes (continued)**

**20 Related party disclosures**

The ultimate controlling party is Royal Exchange Trust Company Limited, as trustee. During the year the Royal Exchange Trust Company Limited provided services acting as trustees for £4,360 (2011 £5,508).

The Company is an investment company managed by Wilmington Trust SP Services (London) Limited, a member of its Board of Directors. No director received any remuneration other than Wilmington Trust SP Services (London) Limited which receives a fee for the provision of corporate services under the terms of a corporate services agreement. Under the terms of the agreement, Wilmington Trust SP Services (London) Limited is entitled to receive annual fees of £14,022 (2011 £10,956).

**21 Ultimate parent company**

Of the 50,000 ordinary shares issued in GESB PLC, 49,999 are held by Royal Exchange Trust Company Limited, and 1 share is held by the Royal Exchange Trustee Nominees Limited, incorporated in England and Wales, as trustee under the terms of a trust declared ultimately for charitable purposes.