

L.G.S. Investments (Holdings) Limited

Directors' report and financial statements

30 November 1996

Registered number 2873071



L.G.S. Investments (Holdings) Limited

Directors' report and financial statements

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L.G.S. Investments (Holdings) Limited

Directors' report

The directors present their report and audited financial statements for the year ended 30 November 1996.

Principal activities

The company is a special purpose company whose only activity is to hold an investment in LGS Investments plc. LGS Investments plc is an investment company whose only activity is to hold local authority loan instruments acquired on 22 May 1995 and to service bonds which were issued on the same day to finance the purchase. The local authority loan instruments have been pledged to Bankers Trustee Company Limited as security for the bonds.

Results and dividends

The group made a profit of £2,171 (1995:£14,246) during the year which was retained by the subsidiary company and the directors do not recommend the payment of a dividend.

Directors and directors' interest

The following directors held office during the year:

SPV Management Limited

Mr T Pomeroy

(resigned 14 February 1996)

Mr R Baker

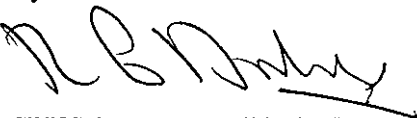
(appointed 5 June 1996)

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

Auditors

Our auditors KPMG have indicated to the directors that a limited liability company, KPMG Audit Plc, is to undertake part of their business. Accordingly, a resolution is to be proposed at the annual general meeting for the appointment of KPMG Audit Plc as auditors of the company.

By order of the board



SPV Management Limited

Secretary

78 Cannon Street

London

1997

25 September

L.G.S. Investments (Holdings) Limited

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 the group and of the profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of L.G.S. Investments (Holdings) Limited

We have audited the financial statements on pages 4 to 12.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Boards. 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 group'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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company and the group affairs as at 30 November 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditor

29 September 1997

L.G.S. Investments (Holdings) Limited

Consolidated profit and loss account
for the year ended 30 November 1996

	Note	1996 £	1995 £
Income from fixed asset investments	4	6,426,199	1,454,204
Interest payable and similar charges on bonds in issue	5	(6,400,716)	(1,448,437)
		<hr/>	<hr/>
		25,483	5,767
Administrative expenses		(23,300)	(78,463)
Other income		-	91,250
		<hr/>	<hr/>
Operating profit		2183	18,554
Other interest receivable and similar income		706	447
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2	2,889	19,001
Tax on profit on ordinary activities	6	(718)	(4,755)
		<hr/>	<hr/>
Retained profit for the year		2,171	14,246
Retained profit brought forward		14,246	-
		<hr/>	<hr/>
Retained profit carried forward		16,417	14,246
		<hr/>	<hr/>

Reconciliation of movements in shareholders' funds
for the year ended 30 November 1996

	1996 £	1995 £
Profit for the financial year	2,171	14,246
Opening shareholders' funds	14,247	1
	<hr/>	<hr/>
Closing shareholders' funds	16,418	14,247
	<hr/>	<hr/>

There were no gains or losses during the current year or the preceding period other than those passing through the profit and loss accounts. Accordingly, a statement of total recognised gains and losses has not been prepared. The results stated above are all derived from continuing operations.


L.G.S. Investments (Holdings) Limited

Consolidated balance sheet
at 30 November 1996

	Note	£	1996 £	£	1995 £
Fixed assets					
Investments	7		71,964,871		71,951,722
Current assets					
Called up share capital not paid		1		1	
Debtors	8	166,474		160,776	
Cash at bank and in hand		35,203		46,033	
		<u>201,678</u>		<u>206,810</u>	
Creditors: amounts falling due within one year	9	(172,502)		(179,872)	
Net current assets			<u>29,176</u>		<u>26,938</u>
Total assets less current liabilities			<u>71,994,047</u>		<u>71,978,660</u>
Creditors: amounts falling due after more than one year	10		(71,977,456)		(71,964,240)
Provision for liabilities and charges	11		(173)		(173)
Net assets			<u>16,418</u>		<u>14,247</u>
Capital and reserves					
Called up share capital	12		1		1
Profit and loss account			16,417		14,246
Equity shareholders' funds			<u>16,418</u>		<u>14,247</u>

These financial statements were approved by the board of directors on
signed on its behalf by:

1997 and were


for **SPV Management Limited**
Director

L.G.S. Investments (Holdings) Limited

Balance sheet
at 30 November 1996

	Note	£	1996 £	£	1995 £
Fixed assets					
Investments	7		12,500		12,500
Current assets					
Called up share capital not paid		1		1	
Investment in subsidiary not paid		-		-	
		<u>1</u>		<u>1</u>	
Creditors: amounts falling due within one year	9	-		-	
Net current assets			<u>1</u>		<u>1</u>
Total assets less current liabilities			<u>12,501</u>		<u>12,501</u>
Creditors: amounts falling due after more than one year	10		(12,500)		(12,500)
Provision for liabilities and charges	11		-		-
Net assets			<u>1</u>		<u>1</u>
Capital and reserves					
Called up share capital	12		1		1
Profit and loss account			-		-
Equity shareholders' funds			<u>1</u>		<u>1</u>

25th September,

These financial statements were approved by the board of directors on 25th September 1997 and were signed on its behalf by:



SPV Management Limited
Director

L.G.S. Investments (Holdings) Limited

Consolidated cash flow statement for the year ended 30 November 1996

	<i>Note</i>	1996	1995
		£	£
Net cash (outflow)/inflow from operating activities	<i>13</i>	(27,388)	27,991
Return on investments and servicing of finance			
Interest received		5,131,140	1,293,539
Interest paid		(5,110,000)	(1,287,997)
		<hr/>	<hr/>
Net cash inflow from returns on investment and servicing of finance		21,140	5,542
Taxation			
UK corporation tax paid		(4,582)	
Investing activities			
Purchase of investments		-	(71,948,800)
		<hr/>	<hr/>
Net cash outflow from investing activities before financing		(10,830)	(71,915,267)
Financing			
Issuing of ordinary share capital		-	12,500
Issue of debt securities		-	71,948,800
		<hr/>	<hr/>
Net cash inflow from financing		-	71,961,300
		<hr/>	<hr/>
(Decrease)/increase in cash and cash equivalents	<i>14</i>	(10,830)	46,033
		<hr/>	<hr/>

L.G.S. Investments (Holdings) Limited

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 group'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 are recorded at cost, plus or minus accrued premium or discount on acquisition which is amortised to generate a constant yield to maturity.

Debt securities issued

Debt securities are recorded at cost, plus or minus accrued premium or discount on issue which is amortised to generate a constant yield to maturity.

2 Profit on ordinary activities before taxation

	1996 £	1995 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	4,201	4,201
Other services	4,201	11,250

3 Remuneration of directors

None of the directors received remuneration for their services to the group, apart from fees of £10,343 paid to SPV Management Limited.

4 Income from fixed asset investments

	1996 £	1995 £
Income from fixed asset investments		
Unlisted	6,413,050	1,451,282
Amortised discount	13,149	2,922
	<u>6,426,199</u>	<u>1,454,204</u>

L.G.S. Investments (Holdings) Limited

Notes (continued)

5 Interest payable and similar charges on bonds in issue

	1996 £	1995 £
Interest paid on bonds in issue	6,387,500	1,445,497
Amortised discount	13,216	2,940
	<u>6,400,716</u>	<u>1,448,437</u>

6 Taxation

	1996 £	1995 £
UK corporation tax at 25% on the profit for the year on ordinary activities	718	4,582
Deferred taxation	-	173
	<u>718</u>	<u>4,755</u>

7 Fixed assets investments

Group

<i>Cost</i>	£
At the beginning and end of the the year	71,948,800
<i>Amortised discount</i>	
At the beginning of the year	2,922
Amortised discount for the year	13,149
At the end of the year	<u>16,071</u>
<i>Net book value</i>	
As at 30 November 1996	<u>71,964,871</u>
As at 30 November 1995	<u>71,951,722</u>

The fixed asset investments comprises unlisted debt securities. The local authority loan instruments purchased have been pledged to Bankers Trustee Company Limited as security for bonds issued.

Company

<i>Cost</i>	£
Additions during the year	<u>12,500</u>

The company's fixed asset investment is the shares in its wholly owned subsidiary, LGS Investments plc.

L.G.S. Investments (Holdings) Limited

Notes (continued)

8 Debtors

	1996 £	1995 £
Other debtors	6,399	1,289
Prepayments and accrued income	160,075	159,487
	<u>166,474</u>	<u>160,776</u>

All debtors were due within one year.

9 Creditors: amounts falling due within one year

	1996 £	1995 £
Other creditors including taxation	718	4,582
Accruals and deferred income	171,784	175,290
	<u>172,502</u>	<u>179,872</u>

10 Creditors: amounts falling due after more than one year

Group

	1996 £	1995 £
Bonds in issue at cost	71,948,800	71,948,800
Amortised discount	16,156	2,940
Bank loan	12,500	12,500
	<u>71,977,456</u>	<u>71,964,240</u>

	1996 £	1995 £
Amount repayable, other than by instalments, after more than five years	<u>71,977,456</u>	<u>71,964,240</u>

The bonds, which are redeemable by 22 May 2020, have a nominal value of £73,000,000 and bear interest at 8.75% per annum.

Company

	1996 £	1995 £
Bank loan	<u>12,500</u>	<u>12,500</u>

L.G.S. Investments (Holdings) Limited

Notes (continued)

11 Provisions for liabilities and charges

	Deferred Taxation £
At beginning of the year	173
Charge for the year	-
At end of the year	<u>173</u>

12 Called up share capital

	1996 £	1995 £
<i>Authorised</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called up and unpaid</i>		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

13 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	1996 £	1995 £
Operating profit	2,889	19,001
Interest receivable	(6,413,050)	(1,451,729)
Interest payable	6,387,500	1,445,497
Amortisation of discount on debt securities issued	13,216	2,940
Amortisation of discount of debt securities purchased	(13,149)	(2,922)
Increase in creditors	(3,506)	17,790
Increase in debtors	(1,288)	(2,586)
Net cash (outflow)/ inflow from operating activities	<u>(27,388)</u>	<u>27,991</u>

14 Analysis of changes in cash and cash equivalents

	1996	1995
Balance at beginning of year	46,033	-
Net cash (outflow)/inflow	<u>(10,830)</u>	<u>46,033</u>
Balance at end of year	<u>35,203</u>	<u>46,033</u>