

# **L.G.S. Investments (Holdings) Limited**

## **Directors' report and consolidated financial statements**

**For the year ended 30 June 2003**

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 June 2003.

### 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 company had no income during the period and incurred no expenses. Accordingly a profit and loss account has not been prepared.

The group made a profit before taxation of £68,790 (2002: Profit £1,927) during the period 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 period:


SPV Management Limited  
Mr R Baker

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

In accordance with Section 348 of the Companies Act 1985, 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

  
SPV Management  
Director

Tower 42, International Financial Centre,  
25 Old Broad Street, London, EC2N 1HQ

11<sup>th</sup> May,

2004

# 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 maintaining proper accounting records 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 Act 1985. They 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.



KPMG Audit Plc

PO Box 65  
8 Salisbury Square  
London EC4Y 8BB United Kingdom

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

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

This report is made solely to the group's members, as a body, in accordance with the Companies Act 1985. Our audit work has been undertaken so that we might state to the group's members those matters we are required to state to them in an auditors' report and for no other purpose. To the extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group'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 page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 Act 1985. We also report to you if, in our opinion, the director's 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 with the company is not disclosed.

### *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 June 2003 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc

Chartered Accountants

Registered Auditors

17 May 2004

# L.G.S. Investments (Holdings) Limited

## Consolidated profit and loss account for the year ended 30 June 2003

	Note	Year to 30.06.03 £	Year to 30.06.02 £
<b>Income from fixed asset investments</b>	4	<b>6,436,159</b>	6,434,264
Interest payable and similar charges on bonds in issue	5	(6,410,677)	(6,408,784)
		<hr/>	<hr/>
		<b>25,482</b>	25,480
Administrative expenses		(22,505)	(24,347)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>2,977</b>	1,133
Other interest receivable and similar income		65,813	794
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	2	<b>68,790</b>	1927
Tax (charge) / credit on profit on ordinary activities	6	(20,355)	258
		<hr/>	<hr/>
<b>Retained profit for the year</b>		<b>48,435</b>	2,185
Retained profit brought forward		27,799	25,614
		<hr/>	<hr/>
<b>Retained profit carried forward</b>		<b>76,234</b>	27,799
		<hr/>	<hr/>

## Reconciliation of movements in shareholders' funds For the year ended 30 June 2003

	Year to 30.06.03 £	Year to 30.06.02 £
<b>Profit for the financial period</b>	<b>48,435</b>	2,185
Opening shareholders' funds	27,800	25,615
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>76,235</b>	27,800
	<hr/>	<hr/>

There were no gains or losses during the current or preceding year other than those passing through the profit and loss account. All the turnover and results for 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 results as disclosed in the profit and loss account are prepared on a unmodified cost basis.

# L.G.S. Investments (Holdings) Limited

## Consolidated balance sheet at 30 June 2003

	Note	30 June 2003		30 June 2002	
		£	£	£	£
<b>Fixed assets</b>					
Investments	7		72,086,346		72,063,237
<b>Current assets</b>					
Called up share capital not paid			1		1
Debtors	8	2,052,500		1,986,419	
Cash at bank and in hand		36,940		41,729	
		<u>2,089,441</u>		<u>2,028,149</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(2,000,164)</u>		<u>(1,987,375)</u>	
Net current assets			89,277		40,774
<b>Total assets less current liabilities</b>			<u>72,175,623</u>		<u>72,104,011</u>
<b>Creditors: amounts falling due after more than one year</b>	10		<u>(72,099,388)</u>		<u>(72,076,211)</u>
Net assets			<u>76,235</u>		<u>27,800</u>
<b>Capital and reserves</b>					
Called up share capital	11		1		1
Profit and loss account			76,234		27,799
<b>Equity shareholders' funds</b>			<u>76,235</u>		<u>27,800</u>

These financial statements were approved by the board of directors on 11/2/04 2004 and were signed on its behalf by:

  
SPV Management  
Director

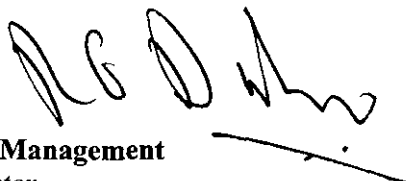
# L.G.S. Investments (Holdings) Limited

## Balance sheet

at 30 June 2003

	Note	30 June 2003		30 June 2002	
		£	£	£	£
<b>Fixed assets</b>					
Investments	7		12,500		12,500
<b>Current assets</b>					
Called up share capital not paid		1		1	
<b>Creditors: amounts falling due within one year</b>	9	-		-	
Net current assets			1		1
<b>Total assets less current liabilities</b>			12,501		12,501
<b>Creditors: amounts falling due after more than one year</b>	10		(12,500)		(12,500)
Net assets			1		1
<b>Capital and reserves</b>					
Called up share capital	11		1		1
Profit and loss account			-		-
<b>Equity shareholders' funds</b>			1		1

These financial statements were approved by the board of directors on 11th May 2004 and were signed on its behalf by:

  
**SPV Management**  
 Director



# L.G.S. Investments (Holdings) Limited

## Consolidated cash flow statement for the year ended 30 June 2003

		Year to 30.06.03 £	Year to 30.06.02 £
<b>Cash flow statement</b>			
Cash flow from operating activities	12	(10,644)	(16,923)
Returns on investments and servicing of finance	13	26,210	26,344
Taxation		(20,355)	(530)
		<hr/>	<hr/>
(Decrease) / Increase in cash in the period		(4,789)	8,891
		<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.

Under Financial Reporting Standard No 8, Related Party Disclosures, the company has taken advantage of the partial exemption not to disclose transactions with group companies.

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 June 2003. The acquisition method of accounting has been adopted. Under this method, the results of the subsidiary are included in the consolidated profit and loss account for the period.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

#### ***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

The company had no income and incurred no expenses. Accordingly a profit and loss account has not been prepared.

	Year to 30.06.03 £	Year to 30.06.02 £
<b><i>Profit on ordinary activities before taxation is stated after charging</i></b>		
Auditors' remuneration		
Audit	6,639	8,401
Other services	1,762	3,908

### 3 Remuneration of directors

None of the directors received remuneration for their services to the group, apart from fees of £10,625 (2002:£10,669) paid to SPV Management Limited, a director of the group, during the period for professional services provided on normal commercial terms by the company.

# L.G.S. Investments (Holdings) Limited

Notes (continued)

## 4 Income from fixed asset investments

	Year to 30.06.03 £	Year to 30.06.02 £
Income from fixed asset investments		
Unlisted	6,413,050	6,413,050
Amortised discount	23,109	21,214
	<u>6,436,159</u>	<u>6,434,264</u>

## 5 Interest payable and similar charges on bonds in issue

	Year to 30.06.03 £	Year to 30.06.02 £
Interest paid on bonds in issue	6,387,500	6,387,500
Amortised discount	23,177	21,284
	<u>6,410,677</u>	<u>6,408,784</u>

## 6 Taxation

	Year to 30.06.03 £	Year to 30.06.02 £
Profit before taxation	68,790	1,927
UK corporation tax at 30% (2002: 10%) on the profit for the period on ordinary activities	20,355	nil
Adjustment in respect of prior periods	nil	(258)
	<u>20,355</u>	<u>(258)</u>
Current tax charge / (credit)		

# L.G.S. Investments (Holdings) Limited

## Notes (continued)

### 7 Fixed assets investments

#### Group

<i>Cost</i>	£
At the beginning and end of the period	71,948,800
<i>Amortised discount</i>	
At the beginning of the period	114,437
Amortised discount for the period	23,109
At the end of the period	137,546
<i>Net book value</i>	
As at 30 June 2003	72,086,346
As at 30 June 2002	72,063,237

The fixed asset investments comprise 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>	£
At the beginning and end of the period	12,500

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

### 8 Debtors

	30 June 2003	30 June 2002
Group	£	£
Other debtors	1,347,763	1,282,610
Prepayments and accrued income	704,737	703,809
	<u>2,052,500</u>	<u>1,986,419</u>

All debtors were due within one year.

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

	30 June 2003	30 June 2002
Group	£	£
Other creditors including taxation	1,299,038	1,277,500
Accruals and deferred income	701,126	709,875
	<u>2,000,164</u>	<u>1,987,375</u>

# L.G.S. Investments (Holdings) Limited

Notes (continued)

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

### Group

	30 June 2003 £	30 June 2002 £
Bonds in issue at cost	71,948,800	71,948,800
Amortised discount	138,088	114,911
Bank loan	12,500	12,500
	<u>72,099,388</u>	<u>72,076,211</u>

	30 June 2003 £	30 June 2002 £
Amount repayable, other than by instalments, after more than five years	<u>72,099,388</u>	<u>72,076,211</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

	30 June 2003 £	30 June 2002 £
Bank loan	<u>12,500</u>	<u>12,500</u>

## 11 Called up share capital

	30 June 2003 £	30 June 2002 £
<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>

# L.G.S. Investments (Holdings) Limited

## Notes (continued)

### 12 Reconciliation of operating profit to operating cash flows

	Year to 30.06.03 £	Period to 30.06.02 £
Operating profit	2,977	1,133
Interest receivable	(6,413,050)	(6,413,050)
Interest payable	6,387,500	6,387,500
Amortisation of discount on debt securities issued	23,177	21,284
Amortisation of discount on debt securities purchased	(23,109)	(21,214)
(Increase)/decrease in debtors	(928)	(635,967)
Increase in creditors	12,789	643,391
<b>Net cash outflow from operating activities</b>	<b>(10,644)</b>	<b>(16,923)</b>

### 13 Returns on investments and servicing of finance

	Year to 30.06.03	Period to 31.06.02
Interest received	6,413,710	6,413,844
Interest paid	(6,387,500)	(6,387,500)
<b>Balance at end of year</b>	<b>26,210</b>	<b>26,344</b>

### 14 Related party disclosures

The ultimate controlling party is SPV Management Limited, as trustee. The accounts of SPV Management Limited can be obtained from Tower 42, Level 11, 25 Old Broad Street, London EC2N 1HQ.