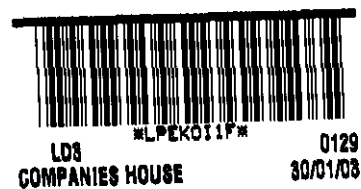


L.G.S. Investments (Holdings) Limited

Directors' report and consolidated financial statements

For the year ended 30 June 2002

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 2002.

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 of £1,927 (2001: Loss £2,872) 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 Limited
Secretary

20th Jimmy
78 Cannon Street
London
2003

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.



KPMG Audit Plc

PO Box 695
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.

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 2002 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 Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditors

23 January 2003

L.G.S. Investments (Holdings) Limited

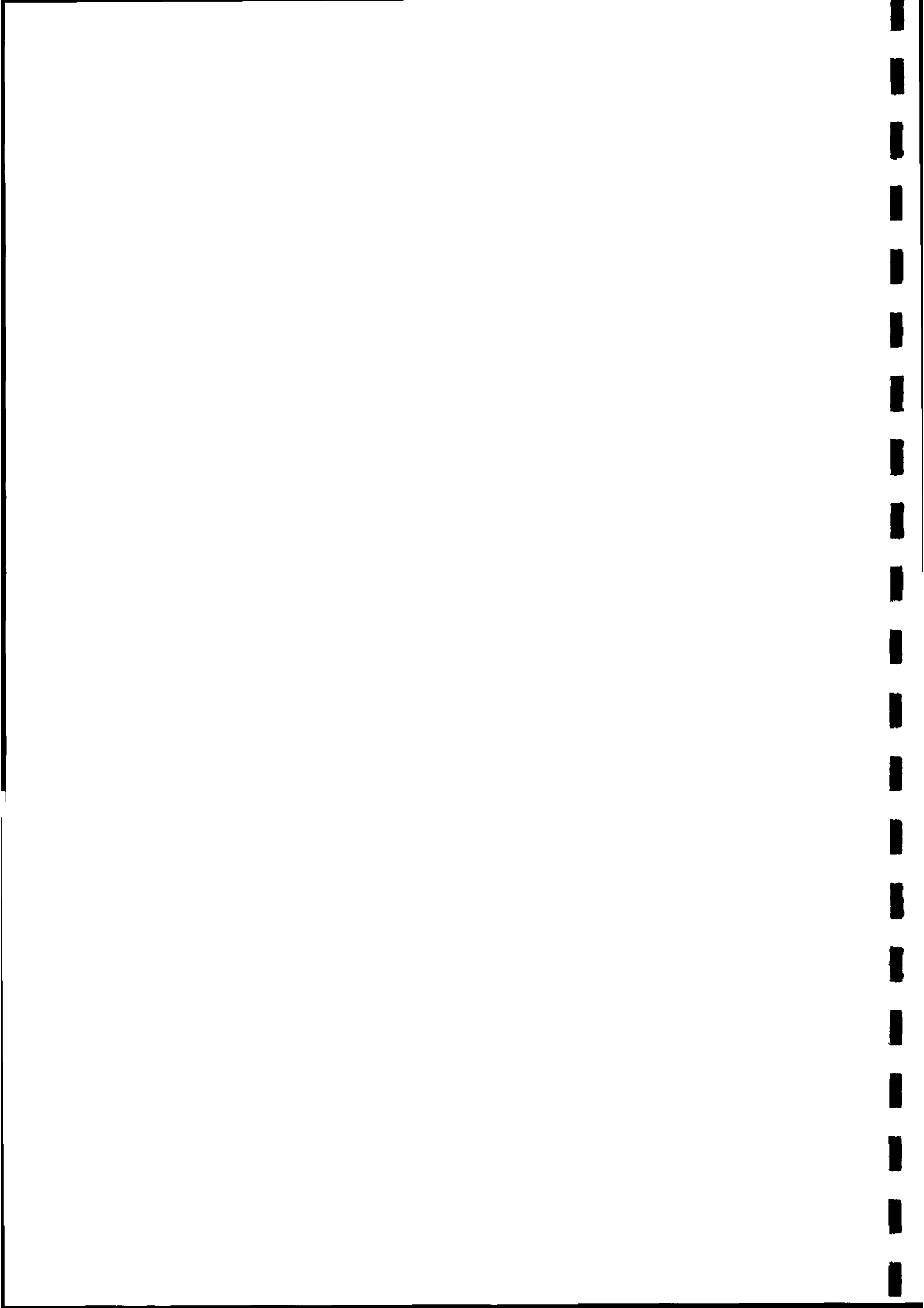
Consolidated profit and loss account for the year ended 30 June 2002

	Note	Year to 30.06.02 £	Seven mths to 30.06.01 £
Income from fixed asset investments	4	6,434,264	3,762,909
Interest payable and similar charges on bonds in issue	5	(6,408,784)	(3,748,005)
		<hr/>	<hr/>
		25,480	14,904
Administrative expenses		(24,347)	(18,467)
		<hr/>	<hr/>
Operating profit / (loss)		1,133	(3,563)
Other interest receivable and similar income		794	691
		<hr/>	<hr/>
Profit / (Loss) on ordinary activities before taxation	2	1,927	(2,872)
Tax on profit on ordinary activities	6	258	-
		<hr/>	<hr/>
Retained profit / (loss) for the year		2,185	(2,872)
Retained profit brought forward		25,614	28,486
		<hr/>	<hr/>
Retained profit carried forward		27,799	25,614

Reconciliation of movements in shareholders' funds For the year ended 30 June 2002

	Year to 30.06.02 £	Seven mths to 30.06.01 £
Profit / (Loss) for the financial period	2,185	(2,872)
Opening shareholders' funds	25,615	28,487
	<hr/>	<hr/>
Closing shareholders' funds	27,800	25,615

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.

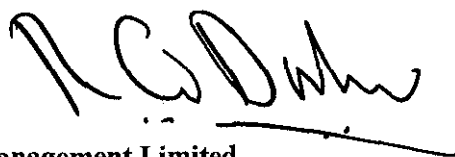


L.G.S. Investments (Holdings) Limited

Consolidated balance sheet at 30 June 2002

	Note	30 June 2002		30 June 2001	
		£	£	£	£
Fixed assets					
Investments	7		72,063,237		72,042,023
Current assets					
Called up share capital not paid			1		1
Debtors	8	1,986,419		1,350,549	
Cash at bank and in hand		41,729		32,838	
		<u>2,028,149</u>		<u>1,383,388</u>	
Creditors: amounts falling due within one year	9	<u>(1,987,375)</u>		<u>(1,344,868)</u>	
Net current assets			40,774		38,520
Total assets less current liabilities			<u>72,104,011</u>		<u>72,080,543</u>
Creditors: amounts falling due after more than one year	10		<u>(72,076,211)</u>		<u>(72,054,928)</u>
Net assets			<u>27,800</u>		<u>25,615</u>
Capital and reserves					
Called up share capital	11		1		1
Profit and loss account			27,799		25,614
Equity shareholders' funds			<u>27,800</u>		<u>25,615</u>

These financial statements were approved by the board of directors on 20th January 2003 and were signed on its behalf by:



SPV Management Limited
Director

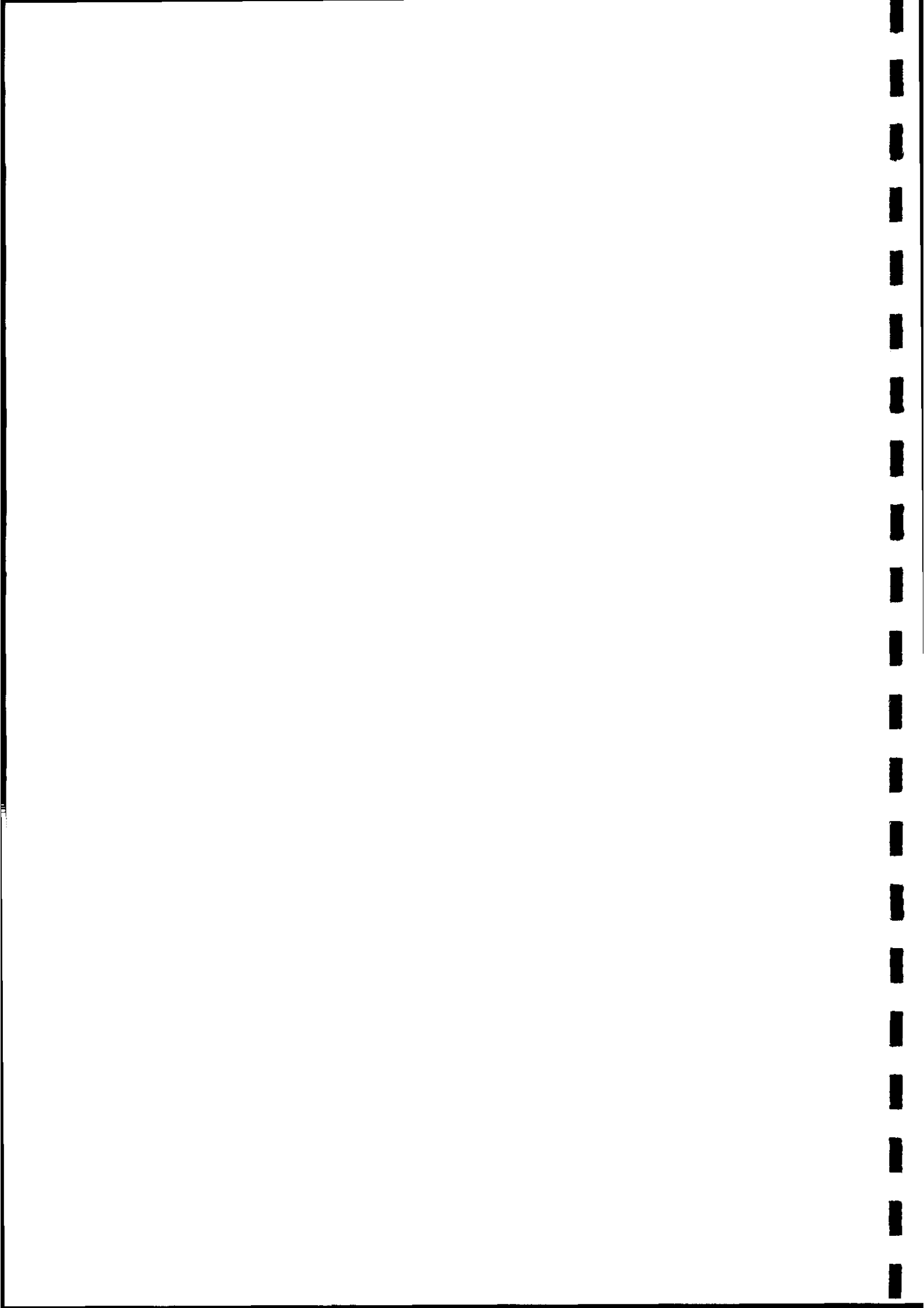
L.G.S. Investments (Holdings) Limited

Balance sheet at 30 June 2002

	Note	30 June 2002		30 June 2001	
		£	£	£	£
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	-		-	
		<u>-</u>		<u>-</u>	
Net current assets			1		1
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)
			<u>(12,500)</u>		<u>(12,500)</u>
Net assets			<u>1</u>		<u>1</u>
Capital and reserves					
Called up share capital	11		1		1
Profit and loss account			-		-
			<u>1</u>		<u>1</u>
Equity shareholders' funds			<u>1</u>		<u>1</u>

These financial statements were approved by the board of directors on 20th January 2003 and were signed on its behalf by:

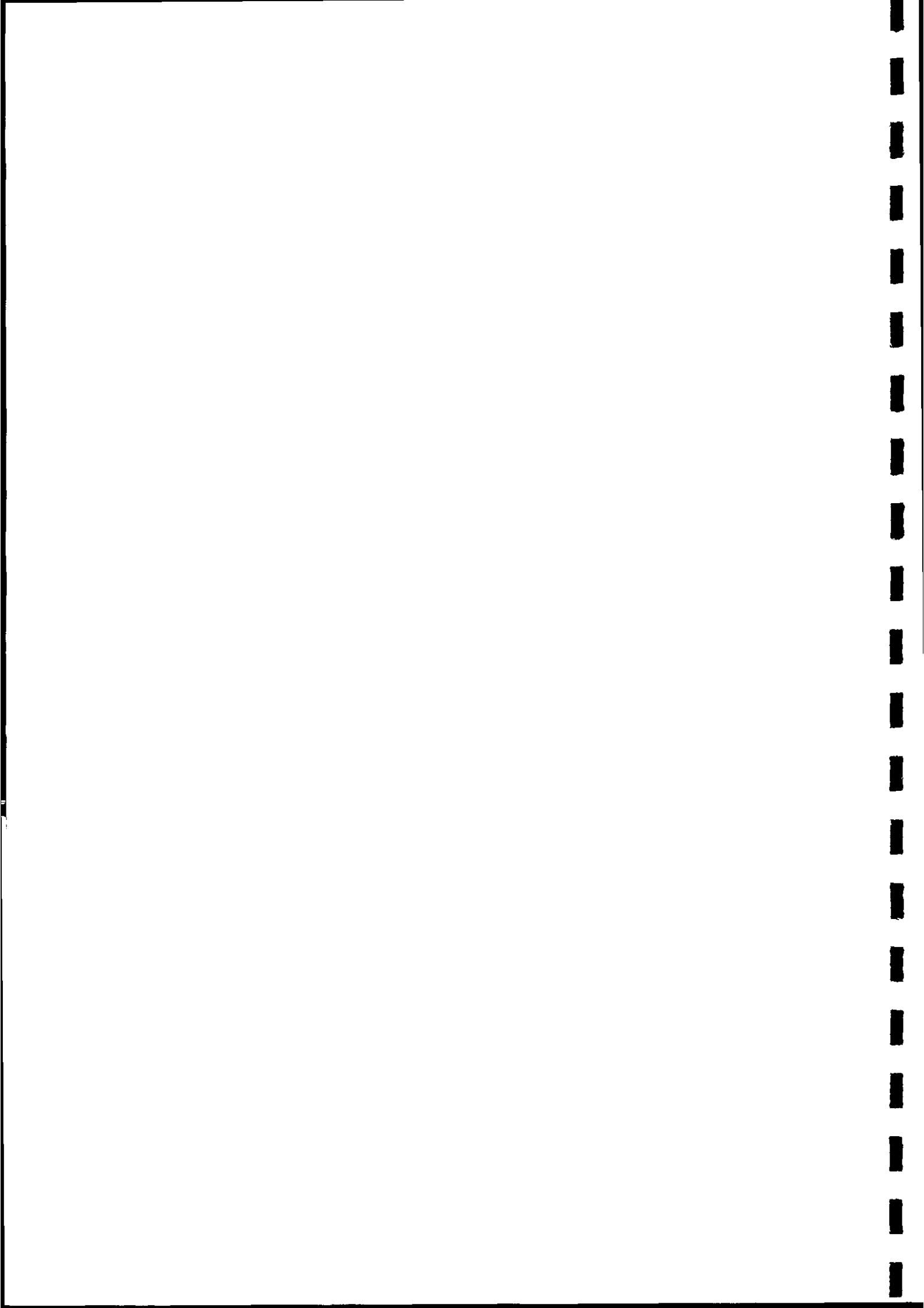

SPV Management Limited
Director



L.G.S. Investments (Holdings) Limited

Consolidated cash flow statement
for the year ended 30 June 2002

		Year to 30.06.02 £	Seven mths to 30.06.01 £
Cash flow statement			
Cash flow from operating activities	12	(16,923)	(23,095)
Returns on investments and servicing of finance	13	26,344	15,478
Taxation		(530)	-
		<hr/>	<hr/>
Increase / (Decrease) in cash in the period		8,891	(7,617)
		<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 2002. 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.

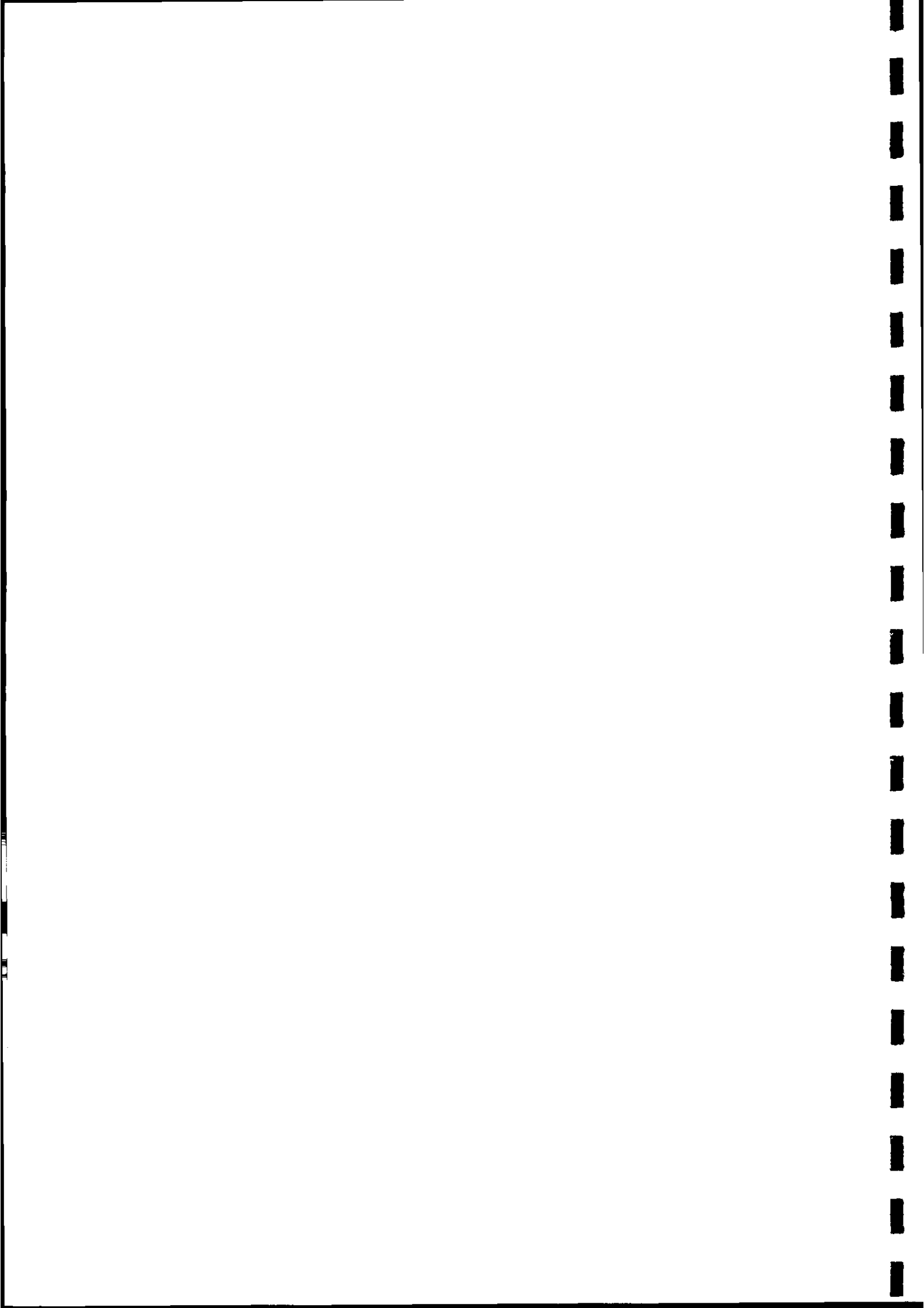
	Year to 30.06.02	Seven mths to 30.06.01
	£	£
<i>Profit on ordinary activities before taxation is stated after charging</i>		

Auditors' remuneration

Audit	8,401	8,401
Other services	3,908	5,963

3 Remuneration of directors

None of the directors received remuneration for their services to the group, apart from fees of £10,669 (2001:£6,187) 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 30.06.02 £	Seven mths to 30.06.01 £
Income from fixed asset investments		
Unlisted	6,413,050	3,751,195
Amortised discount	21,214	11,714
	<u>6,434,264</u>	<u>3,762,909</u>

5 Interest payable and similar charges on bonds in issue

	Year to 30.06.02 £	Seven mths to 30.06.01 £
Interest paid on bonds in issue	6,387,500	3,736,250
Amortised discount	21,284	11,755
	<u>6,408,784</u>	<u>3,748,005</u>

6 Taxation

	Year to 30.06.02 £	Seven mths to 30.06.01 £
UK corporation tax at 10% (2001: 10%) on the profit for the period on ordinary activities	nil	nil
Adjustment in respect of prior periods	(258)	
	<u>(258)</u>	<u>nil</u>

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	93,223
Amortised discount for the period	21,214
At the end of the period	114,437
<i>Net book value</i>	
As at 30 June 2002	72,063,237
As at 30 June 2001	72,042,023

The fixed asset investment 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>	£
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 2002 £	30 June 2001 £
Other debtors	1,282,610	646,416
Prepayments and accrued income	703,809	704,133
	<u>1,986,419</u>	<u>1,350,549</u>

All debtors were due within one year.

9 Creditors: amounts falling due within one year

	30 June 2002 £	30 June 2001 £
Other creditors including taxation	1,277,500	639,538
Accruals and deferred income	709,875	705,330
	<u>1,987,375</u>	<u>1,344,868</u>

L.G.S. Investments (Holdings) Limited

Notes (continued)

10 Creditors: amounts falling due after more than one year

Group

	30 June 2002 £	30 June 2001 £
Bonds in issue at cost	71,948,800	71,948,800
Amortised discount	114,911	93,628
Bank loan	12,500	12,500
	<u>72,076,211</u>	<u>72,054,928</u>

	30 June 2002 £	30 June 2001 £
Amount repayable, other than by instalments, after more than five years	<u>72,076,211</u>	<u>72,054,928</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 2002 £	30 June 2001 £
Bank loan	<u>12,500</u>	<u>12,500</u>

11 Called up share capital

	30 June 2002 £	30 June 2001 £
<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 30.06.02 £	Seven mths to 30.06.01 £
Operating profit	1,133	(3,563)
Interest receivable	(6,413,050)	(3,751,195)
Interest payable	6,387,500	3,736,250
Amortisation of discount on debt securities issued	21,284	11,755
Amortisation of discount on debt securities purchased	(21,214)	(11,714)
(Increase)/decrease in debtors	(635,967)	(542,147)
(Decrease)/increase in creditors	643,391	537,519
Net cash outflow from operating activities	(16,923)	(23,095)

13 Returns on investments and servicing of finance

	Year to 30.06.02	Seven mths to 31.06.01
Interest received	6,413,844	3,751,728
Interest paid	(6,387,500)	(3,736,250)
Balance at end of year	26,344	15,478

14 Related party disclosures

The ultimate controlling party is SPV Management Limited, as trustee.

