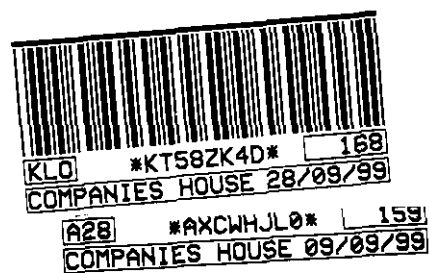


# **L.G.S. Investments (Holdings) Limited**

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

**30 November 1998**

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 1998.

## 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 year and incurred no expenses. Accordingly a profit and loss account has not been prepared.

The group made a profit of £1,613 (1997:£4,463) 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 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.

## Year 2000

The directors have assessed the risks and uncertainties relating to year 2000 and consider these risks to be immaterial to the operations of the business.

## Auditors

In accordance with Section 384 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

  
for SPV Management Limited  
Secretary

5<sup>th</sup> August 1999.

78 Cannon Street  
London  
1999

# 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

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

We have audited the financial statements on pages 4 to 11.

*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 1998 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 August* 1999

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

## Consolidated profit and loss account for the year ended 30 November 1998

	Note	1998 £	1997 £
<b>Income from fixed asset investments</b>	4	<b>6,428,653</b>	6,427,374
Interest payable and similar charges on bonds in issue	5	(6,403,172)	(6,401,893)
		<hr/>	<hr/>
		<b>25,481</b>	25,481
Administrative expenses		(24,133)	(20,909)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>1,348</b>	4,572
Other interest receivable and similar income		940	881
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	2	<b>2,288</b>	5,453
Tax on profit on ordinary activities	6	(675)	(990)
		<hr/>	<hr/>
<b>Retained profit for the year</b>		<b>1,613</b>	4,463
Retained profit brought forward		20,880	16,417
		<hr/>	<hr/>
<b>Retained profit carried forward</b>		<b>22,493</b>	20,880
		<hr/> <hr/>	<hr/> <hr/>

## Reconciliation of movements in shareholders' funds for the year ended 30 November 1998

	1998 £	1997 £
<b>Profit for the financial year</b>	<b>1,613</b>	4,463
Opening shareholders' funds	20,881	16,418
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>22,494</b>	20,881
	<hr/> <hr/>	<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 of 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 result as disclosed in the profit and loss account are prepared on an unmodified cost basis.

*16/11*

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

## Consolidated balance sheet at 30 November 1998

	Note	1998 £	1997 £
<b>Fixed assets</b>			
Investments	7	71,994,798	71,979,195
<b>Current assets</b>			
Called up share capital not paid		1	1
Debtors	8	176,030	171,540
Cash at bank and in hand		23,393	21,324
		<u>199,424</u>	<u>192,865</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(164,207)</u>	<u>(159,330)</u>
Net current assets		35,217	33,535
<b>Total assets less current liabilities</b>		<u>72,030,015</u>	<u>72,012,730</u>
<b>Creditors: amounts falling due after more than one year</b>	10	<u>(72,007,521)</u>	<u>(71,991,849)</u>
Net assets		<u>22,494</u>	<u>20,881</u>
<b>Capital and reserves</b>			
Called up share capital	11	1	1
Profit and loss account		22,493	20,880
Equity shareholders' funds		<u>22,494</u>	<u>20,881</u>

These financial statements were approved by the board of directors on 5<sup>th</sup> August 1999 and were signed on its behalf by:



SPV Management Limited  
Director

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

## Balance sheet

at 30 November 1998

	Note	£	1998 £	£	1997 £
<b>Fixed assets</b>					
Investments	7		12,500		12,500
<b>Current assets</b>					
Called up share capital not paid		1		1	
Investment in subsidiary not paid		-		-	
		<u>1</u>		<u>1</u>	
<b>Creditors: amounts falling due within one year</b>	9	-		-	
		<u>-</u>		<u>-</u>	
Net current assets			1		1
			<u>1</u>		<u>1</u>
<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)
			<u>1</u>		<u>1</u>
<b>Net assets</b>			<u>1</u>		<u>1</u>
<b>Capital and reserves</b>					
Called up share capital	11		1		1
Profit and loss account			-		-
			<u>1</u>		<u>1</u>
<b>Equity shareholders' funds</b>			<u>1</u>		<u>1</u>

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

*S A Amynt* 1999 and were

*R G D W*

SPV Management Limited

Director



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

## Consolidated cash flow statement for the year ended 30 November 1998

	Note	1998 £	1997 £
<b>Reconciliation of operating profit to net Cash flow from operating activities)</b>			
Operating profit		1,348	4,572
Interest receivable	4	(6,413,050)	(6,413,050)
Interest payable	5	6,387,500	6,387,500
Amortisation of discount on debt securities issued	5	15,672	14,393
Amortisation of discount on debt securities purchased	7	(15,603)	(14,324)
Increase in debtors		(4,490)	(5,066)
Increase in creditors		4,202	(13,459)
<b>Net cash outflow from operating activities</b>		<b>(24,421)</b>	<b>(39,434)</b>

## Cash flow statement

<b>Cash flow from operating activities</b>		<b>(24,421)</b>	<b>(39,434)</b>
<b>Returns on investments and servicing of finance</b>	13	<b>26,490</b>	<b>26,431</b>
<b>Taxation</b>		<b>-</b>	<b>(876)</b>
<b>Increase/(decrease) in cash in the period</b>	12	<b>2,069</b>	<b>(13,879)</b>

# 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.

#### *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.

	1998 £	1997 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	4,201	2,101
Other services	4,200	2,100

### 3 Remuneration of directors

None of the directors received remuneration for their services to the group, apart from fees of £10,575 (1997:£10,809) paid to SPV Management Limited. Mr AF Raikes, who was a director of the group for part of the period, has an interest in and is a director of SPV Management Limited.

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

## Notes (continued)

### 4 Income from fixed asset investments

	1998 £	1997 £
Income from fixed asset investments		
Unlisted	6,413,050	6,413,050
Amortised discount	15,603	14,324
	<u>6,428,653</u>	<u>6,427,374</u>

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

	1998 £	1997 £
Interest paid on bonds in issue	6,387,500	6,387,500
Amortised discount	15,672	14,393
	<u>6,403,172</u>	<u>6,401,893</u>

### 6 Taxation

	1998 £	1997 £
UK corporation tax at 21% (1997: 23.33%) on the profit for the year on ordinary activities	481	1,163
Under provision for previous year	194	-
Deferred taxation	-	(173)
	<u>675</u>	<u>990</u>

### 7 Fixed assets investments

#### Group

<i>Cost</i>	£
At the beginning and end of the year	71,948,800
<i>Amortised discount</i>	
At the beginning of the year	30,395
Amortised discount for the year	15,603
At the end of the year	<u>45,998</u>
<i>Net book value</i>	
As at 30 November 1998	<u>71,994,798</u>
As at 30 November 1997	<u>71,979,195</u>

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

Notes (continued)

## 7 Fixed assets investments (cont)

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

Cost	£
At the beginning and end of the year	12,500

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

## 8 Debtors

	1998 £	1997 £
Other debtors	16,619	12,045
Prepayments and accrued income	159,411	159,495
	<u>176,030</u>	<u>171,540</u>

All debtors were due within one year.

## 9 Creditors: amounts falling due within one year

	1998 £	1997 £
Other creditors including taxation	1,680	1,005
Accruals and deferred income	162,527	158,325
	<u>164,207</u>	<u>159,330</u>

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

### Group

	1998 £	1997 £
Bonds in issue at cost	71,948,800	71,948,800
Amortised discount	46,221	30,549
Bank loan	12,500	12,500
	<u>72,007,521</u>	<u>71,991,849</u>
	1998 £	1997 £
Amount repayable, other than by instalments, after more than five years	72,007,521	71,991,849

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

## Notes (continued)

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

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	1998 £	1997 £
Bank loan	12,500	12,500

### 11 Called up share capital

	1998 £	1997 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
<i>Allotted, called up and unpaid</i>		
Ordinary shares of £1 each	1	1

### 12 Analysis of changes in cash and cash equivalents

	1998	1997
Balance at beginning of year	21,324	35,203
Net cash inflow/(outflow)	2,069	(13,879)
Balance at end of year	23,393	21,324

### 13 Returns on investments and servicing of finance

	1998	1997
Interest received	6,413,990	6,413,931
Interest paid	(6,387,500)	(6,387,500)
Balance at end of year	26,490	26,431

### 14 Related party disclosures

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