

# **L.G.S. Investments PLC**

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

**30 November 1998**

Registered number 2879716



# L.G.S. Investments PLC

## Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1
Statement of directors' responsibilities	2
Auditors' report	3
Profit and loss account	4
Reconciliation of movements in shareholders' funds	4
Balance sheet	5
Notes	6-8

# L.G.S. Investments PLC

## Directors' report

The directors present their annual report and audited financial statements for the year ended 30 November 1998.

## Principal activities

The company 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 Trust Company Limited as security for the bonds.

## Results and dividends

The company made a profit before taxation of £2,288 (1997:£5,453) during the year 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 year 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

  
SPV Management Limited  
Secretary

78 Cannon Street  
London

20<sup>th</sup> May 1999

# L.G.S. Investments PLC

## 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 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 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 695  
8 Salisbury Square  
London  
EC4Y 8BB

### Report of the auditors to the members of L.G.S. Investments PLC

We have audited the financial statements on pages 4 to 8.

#### *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 company'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's affairs as at 30 November 1998 and of its profit 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*

*27 May* 1999

# L.G.S. Investments PLC

## Profit and loss account

for the year ended 30 November 1998

	Note	1998 £	1997 £
Income from fixed asset investments	4	6,428,653	6,427,374
Interest payable and similar charges on bonds in issue	5	(6,403,172)	(6,401,893)
		<hr/>	<hr/>
		25,481	25,481
Administrative expenses		(24,133)	(20,909)
Other Income		-	-
		<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 period</b>		<b>1,613</b>	4,463
Retained profit brought forward		20,880	16,417
		<hr/>	<hr/>
		<b>22,493</b>	20,880
Retained profit carried forward		<hr/> <hr/>	<hr/> <hr/>

## Reconciliation of movements in shareholders' funds

for the year ended 30 November 1998

	1998 £	1997 £
<b>Profit for the financial period</b>	<b>1,613</b>	4,463
Opening shareholders' funds	33,380	28,917
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>34,993</b>	33,380
	<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 results as disclosed in the profit and loss account are prepared on an unmodified cost basis.

# L.G.S. Investments PLC

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>					
Debtors	8	176,030		171,540	
Cash at bank and in hand		23,393		21,324	
			<u>199,423</u>	<u>192,864</u>	
<b>Creditors: amounts falling due within one year</b>	9	(164,207)		(159,330)	
Net current assets			<u>35,216</u>		33,534
<b>Total assets less current liabilities</b>			<u>72,030,014</u>		<u>72,012,729</u>
<b>Creditors: amounts falling due after more than one year</b>	10		(71,995,021)		(71,979,349)
Net assets			<u>34,993</u>		<u>33,380</u>
<b>Capital and reserves</b>					
Called up share capital	11		12,500		12,500
Profit and loss account			22,493		20,880
<b>Equity shareholders' funds</b>			<u>34,993</u>		<u>33,380</u>

These financial statements were approved by the board of directors on 26th May 1999 and were signed on its behalf by:



SPV Management Limited  
Director

# L.G.S. Investments PLC

## 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.

Under Financial Reporting Standard No 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Under Financial Reporting Standard No 8, Related Part 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

	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 company. Amounts were paid to SPV Management Limited, a director of the company, of £10,575 (1997: £10,809) during the year for professional services provided on normal commercial terms by the company.

### 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>



# L.G.S. Investments PLC

## Notes (continued)

### 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 period on ordinary activities	481	1163
Under provision for previous year	194	-
Deferred taxation	-	(173)
	<u>675</u>	<u>990</u>

### 7 Fixed assets investments

	£
<b>Cost</b>	
At beginning and end of the year	<u>71,948,800</u>
<b>Provisions</b>	
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>
<b>Net Book Value</b>	
As at 30 November 1998	<u>71,994,798</u>
As at 30 November 1997	<u>71,979,195</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.

### 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.

# L.G.S. Investments PLC

## Notes (continued)

### 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

	1998 £	1997 £
Bonds in issue at cost	71,948,800	71,948,800
Amortised discount	46,221	30,549
	<u>71,995,021</u>	<u>71,979,349</u>

	1998 £	1997 £
Amount repayable, other than by instalments, after more than five years	<u>71,995,021</u>	<u>71,979,349</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.

### 11 Called up share capital

	1998 £	1997 £
<i>Authorised</i>		
Ordinary shares of £1 each	50,000	50,000
<i>Allotted, called up and paid as to 25p per share</i>		
50,000 Ordinary shares of £1 each	<u>12,500</u>	<u>12,500</u>

### 12 Ultimate parent undertaking

L.G.S. Investments PLC is a wholly owned subsidiary undertaking, whose ultimate parent undertaking is L.G.S. Investment (Holdings) Limited. L.G.S. Investments (Holdings) Limited is registered in England and Wales and prepares group accounts which can be obtained from 78 Cannon Street, London EC4P 5LN.

The entire share capital of L.G.S. Investments (Holdings) Limited is held by SPV Management Limited under the terms of a trust declared ultimately for charitable purposes.

### 13 Related party disclosures

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

# L.G.S. Investments PLC

Analysis of administrative expenses  
*for the year ended 30 November 1998*

	1998 £	1997 £
Registrar's fee	2,367	2,957
Audit fee	8,401	4,201
SPV Management Ltd's fee	10,575	10,809
Stock Exchange fee	1,604	1,608
RETCO Trust fee	1,116	1,174
Bank charges	70	160
	<hr/>	<hr/>
	24,133	20,909
	<hr/>	<hr/>