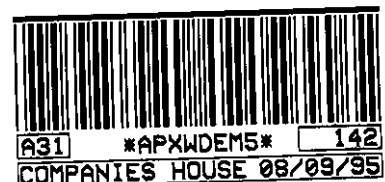


L.G.S. INVESTMENTS PLC

Directors' report and financial statements

31 December 1994

Registered number 2879716



L.G.S. INVESTMENTS PLC

Directors' report and financial statements

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L.G.S. INVESTMENTS PLC

Directors' Report

The Directors present their report and the audited financial statements for the period from the Company's incorporation on 10 December 1993 to its first financial period ended on 31 December 1994, during which period the Company did not trade.

The company commenced trading as an investment company on 22 May 1995 when it acquired £73 million nominal of 8.785% Loan Instruments maturing in 2020 issued by UK Local Authorities financed by the issue of £73 million 8.75% Secured Bonds due 2020. The Loan Instruments have been pledged to Bankers Trustee Company Limited as security for the Bonds.

The Company was incorporated under the name Edgezone Public Company Limited and adopted its present name on 7 March 1994.

Principal Activity

The Company is an investment company whose principal activity is to hold the Loan Instruments acquired on 22 May 1995 and to service the Bonds which were issued on the same date.

Results and Dividends

The Company did not trade during the period and neither received any income nor incurred any expenses.

Directors and directors interests

The directors who held office during the period together with subsequent changes were

Swift Incorporations Limited (appointed 10 December 1993; resigned 3 February 1994)

Instant Companies Limited (appointed 10 December 1993; resigned 3 February 1994)

Mr A F Raikes (appointed 3 February 1994; resigned 6 April 1995)

Mr M A Lydon (appointed 3 February 1994; resigned 6 April 1995)

Mr G I Lane (appointed 3 February 1994; resigned 6 April 1995)

SPV Management Limited (appointed 6 April 1995)

Mr T Pomeroy (appointed 6 April 1995)

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

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.


fm SPV Management Limited
Secretary

78 Cannon Street
London EC4P 5LN

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 of the company for that period. 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' report to the members of L.G.S. Investments ^PLC

We have audited the financial statements on pages 5 to 6

Respective responsibilities of directors and auditors

As described on page 3 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 Board. 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 presentations 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 31 December 1994 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

31 August 1995

LGS INVESTMENTS PLC

Profit & Loss Account for the period ended 31 December 1994

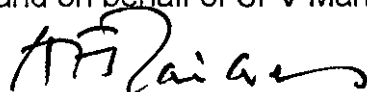
During the financial period the company did not trade and received no income and incurred no expenditure. Consequently during this period, the company made neither a profit or a loss.

Balance Sheet at 31 December 1994

Current Assets	Note	£
Called up share Capital not paid	3	12,500
		<hr/>
		12,500
		=====
Called up share Capital	3	12,500
		=====

These Accounts were approved by the Board of Directors on 31 August 1995 and signed on their behalf by :

A F Raikes for and on behalf of SPV Management Limited



1. Basis of Accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards

2. Cash Flow Statement

The directors have taken advantage of the exception under Paragraph 8(c) of Financial Reporting Standard 1, and have not produced a cashflow statement for the company.

3. Share Capital

Authorised and allotted :	£
50,000 shares of £1 each	50,000
	=====
Called up :	
50,000 shares of £1 each called up as to 25 per cent	12,500
	=====
Paid	-
	=====

The amount of £12,500 has been paid by LGS Investments (Holdings) Limited subsequent to 31 December 1994.

4. Post Balance Sheet Event

The company commenced trading as an investment company on 22 May 1995 when it acquired £73 million nominal of 8.785% Loan Instruments maturing in 2020 issued by UK Local Authorities financed by the issue of £73 million 8.75% Secured Bonds due 2020. The Loan Instruments have been pledged to Bankers Trustee Company Limited as security for the Bonds.

5. Ultimate Holding Company

The company's ultimate holding company is LGS Investments (Holdings) Limited, a company registered in England and Wales.