

L.G.S. Investments PLC

Directors' report and financial statements

30 November 1999

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 annual report and audited financial statements for the year ended 30 November 1999.

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 Trustee Company Limited as security for the bonds.

Results and dividends

The company made a profit before taxation of £3,402 (1998:£2,288) 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 are satisfied that they took sufficient steps to address the year 2000 issue and to date there has been no significant effect on the business operations and trading activities of the company as a result of the issue. The costs of addressing the issue were not significant and any future costs are also not anticipated to be significant.

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

ZS^h Mm, 2000

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
United Kingdom

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 1999 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 Auditor

5 June 2000

L.G.S. Investments PLC

Profit and loss account

for the year ended 30 November 1999

	Note	1999	1998
		£	£
Income from fixed asset investments	4	6,430,047	6,428,653
Interest payable and similar charges on bonds in issue	5	(6,404,567)	(6,403,172)
		<hr/>	<hr/>
		25,480	25,481
Administrative expenses		(23,240)	(24,133)
		<hr/>	<hr/>
Operating profit		2,240	1,348
Other interest receivable and similar income		1,162	940
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2	3,402	2,288
Tax on profit on ordinary activities	6	(593)	(675)
		<hr/>	<hr/>
Retained profit for the period		2,809	1,613
Retained profit brought forward		22,493	20,880
		<hr/>	<hr/>
		25,302	22,493
Retained profit carried forward		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of movements in shareholders' funds

for the year ended 30 November 1999

	1999	1998
	£	£
Profit for the financial period	2,809	1,613
Opening shareholders' funds	34,993	33,380
	<hr/>	<hr/>
Closing shareholders' funds	37,802	34,993
	<hr/> <hr/>	<hr/> <hr/>

There were no gains or losses during the current year or the preceding period 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 to an unmodified cost basis.

L.G.S. Investments PLC

Balance sheet at 30 November 1999

	Note	£	1999 £	£	1998 £
Fixed assets					
Investments	7		72,011,794		71,994,798
Current assets					
Debtors	8	168,877		176,030	
Cash at bank and in hand		39,311		23,393	
			<u>208,188</u>	<u>199,423</u>	
Creditors: amounts falling due within one year	9	(170,092)		(164,207)	
Net current assets			<u>38,096</u>	<u>35,216</u>	
Total assets less current liabilities			<u>72,049,890</u>	<u>72,030,014</u>	
Creditors: amounts falling due after more than one year	10		(72,012,088)	(71,995,021)	
Net assets			<u>37,802</u>	<u>34,993</u>	
Capital and reserves					
Called up share capital	11		12,500	12,500	
Profit and loss account			25,302	22,493	
Equity shareholders' funds			<u>37,802</u>	<u>34,993</u>	

These financial statements were approved by the board of directors on 25th May 2000 and were signed on its behalf by:


for 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

	1999 £	1998 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	4,201	4,201
Other services	4,200	4,200

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 £10,592 (1998: £10,575) during the year for professional services provided on normal commercial terms by the company.

4 Income from fixed asset investments

	1999 £	1998 £
Income from fixed asset investments		
Unlisted	6,413,050	6,413,050
Amortised discount	16,997	15,603
	<u>6,430,047</u>	<u>6,428,653</u>

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Notes (continued)

5 Interest payable and similar charges on bonds in issue

	1999	1998
	£	£
Interest paid on bonds in issue	6,387,500	6,387,500
Amortised discount	17,067	15,672
	<u>6,404,567</u>	<u>6,403,172</u>

6 Taxation

	1999	1998
	£	£
UK corporation tax at 20.33% (1998: 21%) on the profit for the period on ordinary activities	593	481
Under provision for previous year	-	194
	<u>593</u>	<u>675</u>

7 Fixed assets investments

	£
<i>Cost</i>	
At beginning and end of the year	<u>71,948,800</u>
<i>Provisions</i>	
At the beginning of the year	45,998
Amortised discount for the year	16,996
At the end of the year	<u>62,994</u>
<i>Net Book Value</i>	
As at 30 November 1999	<u>72,011,794</u>
As at 30 November 1998	<u>71,994,798</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

	1999	1998
	£	£
Other debtors	10,221	16,619
Prepayments and accrued income	158,656	159,411
	<u>168,877</u>	<u>176,030</u>

All debtors were due within one year.

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Notes (continued)

9 Creditors: amounts falling due within one year

	1999 £	1998 £
Other creditors including taxation	1,074	1,680
Accruals and deferred income	169,018	162,527
	<u>170,092</u>	<u>164,207</u>

10 Creditors: amounts falling due after more than one year

	1999 £	1998 £
Bonds in issue at cost	71,948,800	71,948,800
Amortised discount	63,288	46,221
	<u>72,012,088</u>	<u>71,995,021</u>

	1999 £	1998 £
Amount repayable, other than by instalments, after more than five years	<u>72,012,088</u>	<u>71,995,021</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

	1999 £	1998 £
<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.

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Analysis of administrative expenses
for the year ended 30 November 1999

	1999 £	1998 £
Registrar's fee	2,374	2,367
Audit fee	8,401	8,401
SPV Management Ltd's fee	10,592	10,575
Stock Exchange fee	757	1,604
RETCO Trust fee	1,116	1,116
Bank charges	-	70
	<hr/> 23,240 <hr/>	<hr/> 24,133 <hr/>