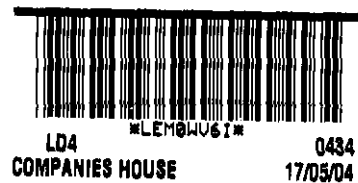


# **L.G.S. Investments PLC**

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

**For the year ended 30 June 2003**

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 June 2003.

### 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 £68,790 (2002: Profit £1,927) during the period 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 year had any disclosable interest in the shares of the company.

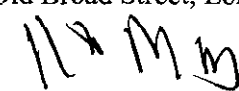
### Auditors

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**  
Director

Tower 42, International Financial Centre,  
25 Old Broad Street, London, EC2N 1HQ  
2004



# 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 9.

This report is made solely to the company's members, as a body, in accordance with the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the extent permitted by law, we do not accept or assume responsibility to anyone other than the company's members as a body, for our audit work, for this report, or for the opinions formed we have formed.

### *Respective responsibilities of directors and auditors*

The directors are responsible for preparing the financial statements 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 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 June 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*  
KPMG Audit plc

Chartered Accountants  
Registered Auditor

17 May 2004

# L.G.S. Investments PLC

## Profit and loss account

for the year ended 30 June 2003

	Note	Year to 30.06.03 £	Year to 30.06.02 £
<b>Income from fixed asset investments</b>	4	<b>6,436,159</b>	6,434,264
Interest payable and similar charges on bonds in issue	5	(6,410,677)	(6,408,784)
		<hr/>	<hr/>
		25,482	25,480
Administrative expenses		(22,505)	(24,347)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>2,977</b>	1,133
Other interest receivable and similar income		65,813	794
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	2	<b>68,790</b>	1,927
Tax (charge) / credit on profit on ordinary activities	6	(20,355)	258
		<hr/>	<hr/>
<b>Retained profit for the period</b>		<b>48,435</b>	2,185
Retained profit brought forward		27,799	25,614
		<hr/>	<hr/>
		76,234	27,799
Retained profit carried forward		<hr/>	<hr/>

## Reconciliation of movements in shareholders' funds for the year ended 30 June 2003.

	Year to 30.06.03 £	Year to 30.06.02 £
<b>Profit for the financial period</b>	<b>48,435</b>	2,185
Opening shareholders' funds	40,299	38,114
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>88,734</b>	40,299
	<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 to an unmodified cost basis.

# L.G.S. Investments PLC

## Balance sheet at 30 June 2003

	Note	30.06.03 £	30.06.02 £
<b>Fixed assets</b>			
Investments	7	72,086,346	72,063,237
<b>Current assets</b>			
Debtors	8	2,052,500	1,986,419
Cash at bank and in hand		36,940	41,729
		<u>2,089,440</u>	<u>2,028,148</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(2,000,164)</u>	<u>(1,987,375)</u>
Net current assets		89,276	40,773
<b>Total assets less current liabilities</b>		<u>72,175,622</u>	<u>72,104,010</u>
<b>Creditors: amounts falling due after more than one year</b>	10	<u>(72,086,888)</u>	<u>(72,063,711)</u>
<b>Net assets</b>		<u>88,734</u>	<u>40,299</u>
<b>Capital and reserves</b>			
Called up share capital	11	12,500	12,500
Profit and loss account		76,234	27,799
<b>Equity shareholders' funds</b>		<u>88,734</u>	<u>40,299</u>

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

2004 and

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 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

	Year to 30.06.03 £	Year to 30.06.02 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	6,639	8,401
Other services	1,762	5,669

### 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 £10,625 (2002: £10,669) during the year for professional services provided on normal commercial terms by the company.

### 4 Income from fixed asset investments

	Year to 30.06.03 £	Year to 30.06.02 £
Income from fixed asset investments		
Unlisted	6,413,050	6,413,050
Amortised discount	23,109	21,214
	<u>6,436,159</u>	<u>6,434,264</u>

# L.G.S. Investments PLC

## Notes (continued)

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

	Year to 30.06.03 £	Year to 30.06.02 £
Interest paid on bonds in issue	6,387,500	6,387,500
Amortised discount	23,177	21,284
	<u>6,410,677</u>	<u>6,408,784</u>

### 6 Taxation

	Year to 30.06.03 £	Year to 30.06.02 £
Profit before taxation	68,790	1,927
UK corporation tax at 30% (2002: 10%) on the profit for the period on ordinary activities	20,355	nil
Adjustment in respect of prior periods	nil	(258)
Current tax charge / (credit)	<u>20,355</u>	<u>(258)</u>

### 7 Fixed assets investments

	£
<b>Cost</b>	
At beginning and end of the period	<u>71,948,800</u>
<b>Discount amortisation</b>	
At the beginning of the period	114,437
Amortised discount for the period	23,109
At the end of the period	<u>137,546</u>
<b>Net Book Value</b>	
As at 30 June 2003	<u>72,086,346</u>
As at 30 June 2002	<u>72,063,237</u>

The fixed asset investments comprise unlisted debt securities. The local authority loan instruments purchased have been pledged to Bankers Trustee Company Limited as security for bonds issued.

# L.G.S. Investments PLC

## 8 Debtors

	30.06.03	30.06.02
	£	£
Other debtors	1,347,763	1,282,610
Prepayments and accrued income	704,737	703,809
	<u>2,052,500</u>	<u>1,986,419</u>

All debtors were due within one year.

## 9 Creditors: amounts falling due within one year

	30.06.03	30.06.02
	£	£
Other creditors including taxation	1,299,038	1,277,500
Accruals and deferred income	701,126	709,875
	<u>2,000,164</u>	<u>1,987,375</u>

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

	30.06.03	30.06.02
	£	£
Bonds in issue at cost	71,948,800	71,948,800
Amortised discount	138,088	114,911
	<u>72,086,888</u>	<u>72,063,711</u>

## 11 Called up share capital

	Year to 30.06.03	Year to 30.06.02
	£	£
<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	12,500	12,500

# L.G.S. Investments PLC

## 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 Tower 42 Level 11, 25 Old Broad Street, London EC2N 1HQ.

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 June 2003*

	Year to 30.06.03 £	Year to 30.06.02 £
Registrar's fee	2,363	2,691
Audit fee	6,639	8,401
Professional Taxation fees	1,762	1,469
SPV Management Ltd's fee	10,625	10,669
RETCO Trust fee	1,116	1,117
	<hr/> 22,505 <hr/>	<hr/> 24,347 <hr/>