

L.G.S. Investments PLC

Directors' report and financial statements

30 November 1996

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 1996.

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 £2,889 (1995:£19,001) 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 T Pomeroy

(resigned 14 February 1996)

Mr R Baker

(appointed 14 February 1996)

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 Limited
Secretary

78 Cannon Street
London

22nd May 1997

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 10.

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 1996 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

30 May 1997

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Profit and loss account

for the year ended 30 November 1996

			1 Jan 1995 to 30 Nov 1995 £
	Note	1996 £	
Income from fixed asset investments	4	6,426,199	1,454,204
Interest payable and similar charges on bonds in issue	5	(6,400,716)	(1,448,437)
		25,483	5,767
Administrative expenses		(23,300)	(78,463)
Other Income		-	91,250
		2,183	18,554
Operating profit		706	447
Other interest receivable and similar income			
		2,889	19,001
Profit on ordinary activities before taxation	2	(718)	(4,755)
Tax on profit on ordinary activities	6		
		2,171	14,246
Retained profit for the period		14,246	-
Retained profit brought forward			
		16,417	14,246
Retained profit carried forward			

Reconciliation of movements in shareholders' funds for the year ended 30 November 1996

		1 Jan 1995 to 30 Nov 1995 £
	1996 £	
Profit for the financial period	2,171	14,246
Opening shareholders' funds	26,746	12,500
Closing shareholders' funds	28,917	26,746

There were no gains or losses during the current year or the preceding period other than those passing through the profit and loss accounts. Accordingly, a statement of total recognised gains and losses has not been prepared. The results stated above are all derived from continuing operations.

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Balance sheet at 30 November 1996

	Note	1996 £	1995 £
Fixed assets			
Investments	7	71,964,871	71,951,722
Current assets			
Debtors	8	166,474	160,776
Cash at bank and in hand		35,203	46,033
		<u>201,677</u>	<u>206,809</u>
Creditors: amounts falling due within one year	9	<u>172,502</u>	<u>179,872</u>
Net current assets		29,175	26,937
Total assets less current liabilities		<u>71,994,046</u>	<u>71,978,659</u>
Creditors: amounts falling due after more than one year	10	(71,964,956)	(71,951,740)
Provision for liabilities and charges	11	(173)	(173)
Net assets		<u>28,917</u>	<u>26,746</u>
Capital and reserves			
Called up share capital	12	12,500	12,500
Profit and loss account		16,417	14,246
Equity shareholders' funds		<u>28,917</u>	<u>26,746</u>

These financial statements were approved by the board of directors on 22nd May 1997 and were signed on its behalf by:


SPV Management Limited
Director

L.G.S. Investments PLC

Cash flow statement for the year ended 30 November 1996

	Note	1996 £	1 January 1995 to 30 November 1995 £
Net cash (outflow)/inflow from operating activities 13		(27,388)	27,991
Return on investments and servicing of finance			
Interest received	5,131,140		1,293,539
Interest paid	(5,110,000)		(1,287,997)
Net cash inflow from returns on investment and servicing of finance		21,140	5,542
Taxation			
UK corporation tax paid		(4,582)	-
Investing activities			
Purchase of investments		-	(71,948,800)
Net cash outflow from investing activities before financing		(10,830)	(71,915,267)
Financing			
Issuing of ordinary share capital	-		12,500
Issue of debt securities	-		71,948,800
Net cash inflow from financing		-	71,961,300
(Decrease)/Increase in cash and cash equivalents 14		(10,830)	46,033

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.

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

	1996 £	1 January 1995 to 30 November 1995 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	4,201	4,201
Other services	4,201	11,250

3 Remuneration of directors

None of the directors received remuneration for their services to the company.

4 Income from fixed asset investments

	1996 £	1 January 1995 to 30 November 1995 £
Income from fixed asset investments		
Unlisted	6,413,050	1,451,282
Amortised discount	13,149	2,922
	<u>6,426,199</u>	<u>1,454,204</u>

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Notes (continued)

5 Interest payable and similar charges on bonds in issue

	1996	1 January 1995 to 30 November 1995
	£	£
Interest paid on bonds in issue	6,387,500	1,445,497
Amortised discount	13,216	2,940
	<u>6,400,716</u>	<u>1,448,437</u>

6 Taxation

	1996	1 January 1995 to 30 November 1995
	£	£
UK corporation tax at 25% on the profit for the period on ordinary activities	718	4,582
Deferred taxation	-	173
	<u>718</u>	<u>4,755</u>

7 Fixed assets investments

	£
Cost	
At beginning and end of the year	<u>71,948,800</u>
Provisions	
At the beginning of the year	2,922
Amortised discount for the year	13,149
At the end of the year	<u>16,071</u>
Net Book Value	
As at 30 November 1996	<u>71,964,871</u>
As at 30 November 1995	<u>71,951,722</u>

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

8 Debtors

	1996	1995
	£	£
Other debtors	6,399	1,289
Prepayments and accrued income	160,075	159,487
	<u>166,474</u>	<u>160,776</u>

All debtors were due within one year.

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Notes (continued)

9 Creditors: amounts falling due within one year

	1996	1995
	£	£
Other creditors including taxation	718	4,582
Accruals and deferred income	171,784	175,290
	<u>172,502</u>	<u>179,872</u>

10 Creditors: amounts falling due after more than one year

	1996	1995
	£	£
Bonds in issue at cost	71,948,800	71,948,800
Amortised discount	16,156	2,940
	<u>71,964,956</u>	<u>71,951,740</u>

	1996	1995
	£	£
Amount repayable, other than by instalments, after more than five years	<u>71,964,956</u>	<u>71,951,740</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 Provisions for liabilities and charges

	Deferred Taxation £
At beginning of the year	173
Charge for the year	-
At end of the year	<u>173</u>

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Notes (continued)

12 Called up share capital

	1996 £	1995 £
<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

13 Reconciliation of operating profit to net cash outflow from operating activities

	1996 £	1 January 1995 to 30 November 1995 £
Operating profit	2,889	19,001
Interest receivable	(6,413,050)	(1,451,729)
Interest payable	6,387,500	1,445,497
Amortisation of discount on debt securities issued	13,216	2,940
Amortisation of discount of debt securities purchased	(13,149)	(2,922)
(Decrease)/Increase in creditors	(3,506)	17,790
Increase in debtors	(1,288)	(2,586)
Net cash inflow from operating activities	(27,388)	27,991

14 Analysis of changes in cash and cash equivalents

	1996 £	1 January 1995 to 30 November 1995 £
Balance at beginning of year	46,033	-
Net cash (outflow)/inflow	(10,830)	46,033
Balance at end of year	35,203	46,033

15 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.