

LGS Holdings Limited

Directors' report and financial statements

Period ended 31 December 1998

Registered number 3424583



LGS Holdings Limited

Directors' report

The directors present their report and the audited financial statements for the period from the date of incorporation to 31 December 1998.

Principal activities

The principal activity of the company is that of an investment holding company.

Business review

LGS Holdings Limited was incorporated on 19 August 1997. The company acquired London Global Securities on 1 October 1997 for consideration of \$71,108,722.

Results and dividends

The balance sheet of the company is set out on page 4. No dividend was paid during the period.

Directors and directors' interests

The directors who held office during the period were as follows:

Mr J P W Harriman	(appointed 20 August 1997)
Mr A M Petrilli	(appointed 20 August 1997)
Mr A P Vracas	(appointed 20 August 1997)

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

Auditors

KPMG Audit Plc were appointed as auditors of the company during the period to fill a casual vacancy. A resolution is to be proposed at the next Board meeting for their re-appointment.

By order of the Board



A M Petrilli
Director

99 Bishopsgate
EC2M 3YS
11 June 1999

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 have a 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.

**Report of the Auditors
to the members of LGS Holdings Limited**

We have audited the financial statements on pages 4 to 6.

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 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 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 31 December 1998 and of its result 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

11 June 1999

LGS Holdings Limited

Profit and Loss Account *for the period to 31 December*

There have been no recognised gains or losses, or movements in shareholders funds. Accordingly, no statement of gains or losses or Profit and Loss account is given.

Balance Sheet *As at 31 December 1998*

	Note	1998 \$
Fixed Assets		
Investment in Subsidiary Undertaking	4	71,108,722
Creditors: amounts falling due after one year	5	
Sub-ordinated loan due to Parent Undertaking		(71,108,721)
Net Assets		<u><u>1</u></u>
Capital and reserves		
Issued, called-up and paid share capital	6	<u><u>1</u></u>

These financial statements were approved by the Board of Directors on 11 June 1999 and were signed on its behalf by:



A M Petrilli
Director

The notes on pages 5 to 6 form part of these accounts.

LGS Holdings Limited

Notes to the accounts

1. Accounting Policies

These accounts have been prepared under the historical cost convention in accordance with applicable Accounting Standards. The particular accounting policies adopted are described below:

The company is exempt from the requirement to prepare and deliver group accounts as provided by Section 228(1) of the Companies Act 1985. It is included in the group accounts of DLJ International Group Limited.

Fixed asset investment

The fixed asset investment, representing the company's interest in London Global Securities, is shown at cost.

Cash Flow Statement

Under FRS 1 (revised 1996) the company is exempt from the requirement to prepare a cashflow statement on the grounds that it is consolidated in the financial statements of Donaldson, Lufkin & Jenrette, Inc. which are publicly available.

Related Party Disclosure

The company is exempt from the disclosure requirements of FRS 8 regarding transactions with other group entities as it is a wholly owned subsidiary of a company that prepares consolidated financial statements which are publicly available.

2. Information Regarding Directors And Employees

The directors receive no remuneration in respect of their services as directors. The company has no employees.

3. Auditors' Remuneration

The remuneration of the auditors has been borne by Donaldson, Lufkin & Jenrette International.

4. Investment In Subsidiary Undertaking

LGS Holdings Limited has the following wholly owned subsidiary incorporated in England and Wales:

Subsidiary	Nature of business
London Global Securities	International Security lending

LGS Holdings Limited

Notes (continued)

5. Creditors: Amounts Falling Due After One Year

	1998 \$
Subordinated loan due to Parent Undertaking	71,108,721

The subordinated loan represents a loan from Donaldson, Lufkin & Jenrette International. The loan is repayable immediately upon written notice and bears no interest.

6. Called Up Share Capital

	1998 \$
Authorised: 100 ordinary shares of \$1	100
Issued, allotted and fully paid: 1 ordinary share of \$1	1

7. Ultimate Parent Company

The ultimate parent undertaking is Donaldson, Lufkin & Jenrette, Inc., a company incorporated in Delaware, USA.

The most immediate parent company preparing consolidated accounts which include the company's accounts is DLJ International Group Limited, a company registered in England and Wales and the ultimate parent preparing such accounts is Donaldson, Lufkin & Jenrette, Inc..

Copies of all Group accounts can be obtained from 277 Park Avenue, New York, New York 10172, USA.