

L.G.S. Investments PLC

Directors' report and financial statements

For the seven month period ended 30 June 2001

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 seven month period ended 30 June 2001. The company changed its year end from 30 November to 30 June during the period.

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 loss before taxation of £2,872 (2000: profit of £3,971) 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 Limited
Secretary

78 Cannon Street
London

21st December 2001

L.G.S. Investments PLC

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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 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

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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.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the financial statements as described on page 2. Our responsibilities, as independent auditors, are established 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. 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 2001 and of its loss 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

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L.G.S. Investments PLC

Profit and loss account

for the seven month period ended 30 June 2001

	<i>Note</i>	Period to 30.06.01 £	Year to 30.11.00 £
Income from fixed asset investments	4	3,762,909	6,431,564
Interest payable and similar charges on bonds in issue	5	(3,748,005)	(6,406,085)
		<hr/>	<hr/>
		14,904	25,479
Administrative expenses		(18,467)	(22,468)
		<hr/>	<hr/>
Operating (loss) / profit		(3,563)	3,011
Other interest receivable and similar income		691	960
		<hr/>	<hr/>
(Loss) / Profit on ordinary activities before taxation	2	(2,872)	3,971
Tax on (loss) / profit on ordinary activities	6	-	(787)
		<hr/>	<hr/>
Retained (loss) / profit for the period		(2,872)	3,184
Retained profit brought forward		28,486	25,302
		<hr/>	<hr/>
Retained profit carried forward		25,614	28,486

Reconciliation of movements in shareholders' funds

for the seven month period ended 30 June 2001

	Period to 30.06.01 £	Year to 30.11.00 £
(Loss) / Profit for the financial period	(2,872)	3,184
Opening shareholders' funds	40,986	37,802
	<hr/>	<hr/>
Closing shareholders' funds	38,114	40,986

There were no gains or losses during the current period or the preceding year other than those passing through the profit and loss account. All of the turnover and results for the period arise from continuing operations for both the current period 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.

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Balance sheet
at 30 June 2001

	Note	30 June 2001		30 November 2000	
		£	£	£	£
Fixed assets					
Investments	7		72,042,023		72,030,309
Current assets					
Debtors	8	1,350,549		169,494	
Cash at bank and in hand		32,838		40,455	
			<u>1,383,387</u>		<u>209,949</u>
Creditors: amounts falling due within one year	9	(1,344,868)		(168,599)	
Net current assets			<u>38,519</u>		<u>41,350</u>
Total assets less current liabilities			<u>72,080,542</u>		<u>72,071,659</u>
Creditors: amounts falling due after more than one year	10		(72,042,428)		(72,030,673)
Net assets			<u>38,114</u>		<u>40,986</u>
Capital and reserves					
Called up share capital	11		12,500		12,500
Profit and loss account			25,614		28,486
Equity shareholders' funds			<u>38,114</u>		<u>40,986</u>

These financial statements were approved by the board of directors on 21st December 2001 and were signed on its behalf by:

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

	Period to 30.06.01 £	Year to 30.11.00 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	4,201	4,201
Other services	5,963	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 £6,187 (2000: £10,572) during the year for professional services provided on normal commercial terms by the company.

4 Income from fixed asset investments

	Period to 30.06.01 £	Year to 30.11.00 £
Income from fixed asset investments		
Unlisted	3,751,195	6,413,050
Amortised discount	11,714	18,514
	<hr/> 3,762,909	<hr/> 6,431,564

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Notes (continued)

5 Interest payable and similar charges on bonds in issue

	Period to 30.06.01 £	Year to 30.11.00 £
Interest paid on bonds in issue	3,736,250	6,387,500
Amortised discount	11,755	18,585
	<u>3,748,005</u>	<u>6,406,085</u>

6 Taxation

	Period to 30.06.01 £	Year to 30.11.00 £
UK corporation tax at 20% (2000: 20%) on the loss for the period on ordinary activities	nil	787
	<u>nil</u>	<u>787</u>

7 Fixed assets investments

	£
<i>Cost</i>	
At beginning and end of the period	<u>71,948,800</u>
<i>Provisions</i>	
At the beginning of the period	81,509
Amortised discount for the period	11,714
At the end of the period	<u>93,223</u>
<i>Net Book Value</i>	
As at 30 June 2001	<u>72,042,023</u>
As at 30 November 2000	<u>72,030,309</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

	30 June 2001 £	30 November 2000 £
Other debtors	646,416	10,222
Prepayments and accrued income	704,133	159,272
	<u>1,350,549</u>	<u>169,494</u>

All debtors were due within one year.

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Notes (continued)

9 Creditors: amounts falling due within one year

	30 June 2001 £	30 November 2000 £
Other creditors including taxation	639,538	1,381
Accruals and deferred income	705,330	167,218
	<u>1,344,868</u>	<u>168,599</u>

10 Creditors: amounts falling due after more than one year

	30 June 2001 £	30 November 2000 £
Bonds in issue at cost	71,948,800	71,948,800
Amortised discount	93,628	81,873
	<u>72,042,428</u>	<u>72,030,673</u>

	30 June 2001 £	30 November 2000 £
Amount repayable, other than by instalments, after more than five years	<u>72,042,428</u>	<u>72,030,673</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

	30 June 2001 £	30 November 2000 £
<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>

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 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 declare ultimately for charitable purposes.

13 Related party disclosures

The ultimate controlling party is SPV Management Limited, as trustee.