

GESB PLC

Directors' report and financial statements

31 January 2000

Registered number 2883741



GESB PLC

Directors' report and financial statements

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Directors' report

The directors present their report and audited financial statements for the year ended 31 January 2000.

Principal activities

The company is an investment company whose principal activity is to hold debenture stock acquired on 12 July 1994 and to service bonds which were issued on the same date to finance the purchase. The debenture stock has been pledged to Royal Exchange Trust Company Limited as security for the bonds.

Results and dividends

The company made a profit after taxation of £16,962 (1999:£20,233) 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 AF Raikes

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 EC4P 5LN

25th May, 2000

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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 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 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.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Auditors' report to the members of GESB PLC

We have audited the financial statements on pages 4 to 10.

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 directors' 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 31 January 2000 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 Auditors

8 June 2000

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Profit and loss account for the year ended 31 January 2000

	Note	2000 £	1999 £
Income from fixed asset investments	5	9,020,399	8,996,289
Interest payable and similar charges on bonds issued	6	(8,921,646)	(8,905,143)
		<hr/> 98,753	<hr/> 91,146
Administrative expenses	2-4	(94,981)	(87,618)
Operating profit		<hr/> 3,772	<hr/> 3,528
Other interest receivable and similar income	7	14,565	16,705
Profit on ordinary activities before taxation	2	18,337	20,233
Tax on profit on ordinary activities	8	(1,375)	-
		<hr/>	<hr/>
Retained profit for the year		16,962	20,233
Retained profit brought forward		67,977	47,744
		<hr/> 84,939	<hr/> 67,977

Reconciliation of movements in shareholders' funds for the year ended 31 January 2000

	2000 £	1999 £
Profit for the financial year	16,962	20,233
Opening shareholders' funds	117,977	97,744
	<hr/>	<hr/>
Closing shareholders' funds	134,939	117,977

There were no gains or losses during the current year or the 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 result as disclosed in the profit and loss account are prepared on an unmodified cost basis.

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Balance sheet at 31 January 2000

	Note	£	2000 £	1999 £
Fixed assets				
Investments	9		89,985,289	89,721,371
Current assets				
Debtors	10	2,097,395		2,089,185
Cash at bank and in hand		130,313		114,232
		<u>2,227,708</u>		<u>2,203,417</u>
Creditors: amounts falling due within one year	11	(1,868,153)		(1,866,778)
Net current assets				
Due within one year		359,555		336,639
Debtors due after one year		<u>4,477,986</u>		<u>4,556,554</u>
			4,837,541	4,893,193
Total assets less current liabilities			<u>94,822,830</u>	<u>94,614,564</u>
Creditors: amounts falling due after more than one year	12		(94,687,891)	(94,496,587)
Net assets			<u>134,939</u>	<u>117,977</u>
Capital and reserves				
Called up share capital	13		50,000	50,000
Profit and loss account			84,939	67,977
Equity shareholders' funds			<u>134,939</u>	<u>117,977</u>

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

AF Raikes
Director

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Cash flow statement

for the year ended 31 January 2000

	Note	2000 £	1999 £
Reconciliation of operating profit to net Cash flow from operating activities			
Operating profit		3,772	3,528
Interest receivable		(8,756,481)	(8,756,481)
Interest payable		8,730,342	8,730,342
Amortisation of discount on debt securities issued		191,304	174,801
Amortisation of discount of debt securities purchased		(263,918)	(239,808)
Decrease in creditors		-	-
Decrease in debtors		70,358	62,988
Net cash outflow from operating activities		<u>(24,623)</u>	<u>(24,630)</u>

Cash flow statement

Cash flow from operating activities		(24,623)	(24,630)
Return on investments and servicing of finance	14	40,704	43,156
Increase in cash in the year		<u>16,081</u>	<u>18,526</u>

Reconciliation of net cash flow to movement in net funds

Increase in cash in the year	16,081	18,526
Net funds at the start of the year	114,232	95,706
Net funds at the end of the year	<u>130,313</u>	<u>114,232</u>

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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 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

	2000 £	1999 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	7,990	7,990

3 Remuneration of directors

SPV Management Limited, a director of the company, received £11,051 (1999: £11,010) in the year for professional services provided on normal commercial terms. None of the other directors received remuneration for their services to the company. However, Mr AF Raikes, another director of the company, has an interest in SPV Management Limited.

4 Staff numbers and costs

The company had no employees during the year.

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Notes (continued)

5 Income from fixed asset investments

	2000 £	1999 £
Income from fixed asset investments		
Listed	8,756,481	8,756,481
Amortised discount	263,918	239,808
	<hr/> 9,020,399	<hr/> 8,996,289

6 Interest payable

	2000 £	1999 £
Interest payable on debt securities in issue	8,730,342	8,730,342
Amortised discount	191,304	174,801
	<hr/> 8,921,646	<hr/> 8,905,143

7 Other interest receivable

	2000 £	1999 £
Bank deposit interest	14,565	16,705
	<hr/>	<hr/>

8 Taxation

	2000 £	1999 £
U.K Corporation tax at 20.16% (1999:nil) on the profit for the current period	1,375	-
	<hr/>	<hr/>

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Notes (continued)

9 Fixed assets investments

	Cost £	Amortised discount £	Total £
At beginning of year	88,790,558	930,813	89,721,371
Amortised discount in year	-	263,918	263,918
	<hr/>	<hr/>	<hr/>
At end of year	88,790,558	1,194,731	89,985,289
	<hr/>	<hr/>	<hr/>

The fixed asset investments comprises unlisted debt securities. The Local Authority Loan Instruments purchased have been pledged to Bankers Trustee Company Limited as securities for debt securities issued.

10 Debtors: due within one year

	2000 £	1999 £
Prepayments and accrued income	6,575,381	6,645,739
	<hr/>	<hr/>

Debtors include accrued income of £4,477,986 (1999: £4,556,554) due after more than one year.

11 Creditors: amounts falling due within one year

	2000 £	1999 £
Accruals and deferred income	1,866,778	1,866,778
Corporation tax	1,375	-
	<hr/>	<hr/>
	1,868,153	1,866,778
	<hr/>	<hr/>

12 Creditors: amounts falling due after more than one year

	2000 £	1999 £
Debt securities in issue at cost	93,811,974	93,811,974
Amortised discount	875,917	684,613
	<hr/>	<hr/>
	94,687,891	94,496,587
	<hr/>	<hr/>
Amount repayable, other than by instalments, after more that five years	94,687,891	94,496,587
	<hr/>	<hr/>

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Notes (continued)

13 Called up share capital

	2000 £	1999 £
<i>Authorised</i>		
Ordinary shares of £1 each	50,000	50,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	50,000	50,000

14 Analysis of cash flows

	2000 £	1999 £
Return on investments and servicing of finance		
Interest received	8,771,046	8,773,498
Interest paid	(8,730,342)	(8,730,342)
	40,704	43,156

15 Analysis of net funds

	At beginning of year £	Cash flow £	At end of Year £
Cash at bank	114,232	16,081	130,313
Total	114,232	16,081	130,313

16 Related party disclosures

The ultimate controlling party is Royal Exchange Trust Company Limited, as trustee.

17 Ultimate parent company

The entire share capital of GESB PLC is held by Royal Exchange Trust Company Limited and its nominee under the terms of a trust declared ultimately for charitable purposes.

No group accounts include the results of the company.