

**LGV CAPITAL  
PARTNERS LIMITED**

**REPORT AND ACCOUNTS**

**2012**



# **LGV CAPITAL PARTNERS LIMITED**

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Registered Office  
One Coleman Street  
London, EC2R 5AA

Registered in England and Wales No 2682185

# **LGV CAPITAL PARTNERS LIMITED**

## **DIRECTORS' REPORT**

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The directors present their annual report together with the audited financial statements of LGV Capital Partners Limited ("the Company") for the year ended 31 December 2012

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

### **Principal activities**

The principal activity of the Company is the management of private equity partnerships. The Company does not envisage any change in activities in the foreseeable future.

### **Results for the year and dividend**

The results of the Company are set out on page 5. The directors do not recommend the payment of a dividend (2011: £nil).

### **Directorate**

The directors of the Company, who served during the year, together with their dates of appointment and resignation, where appropriate, are shown below:

Z Clements, ACA

J P Dawes, FCMA

I M Heywood

M Mowlem

A K Overy, ACA

S J Phillips, ACA

W D B Priestley

### **Directors' Insurance**

Legal & General Group Plc maintains an appropriate level of Directors and Officers' liability insurance which is reviewed annually.

# LGV CAPITAL PARTNERS LIMITED

## DIRECTORS' REPORT

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### Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the directors in office, at the date the Directors' Report is approved, confirms that

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board



D H Gilbert  
For and on behalf of Legal & General Co Sec Limited  
Company Secretary  
14 March 2013

## **LGV CAPITAL PARTNERS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LGV CAPITAL PARTNERS LIMITED**

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We have audited the financial statements of LGV Capital Partners Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**LGV CAPITAL PARTNERS LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LGV CAPITAL PARTNERS LIMITED**

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**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*Philip Watson*

Philip Watson (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
14 March 2013

**LGV CAPITAL PARTNERS LIMITED**  
**PROFIT AND LOSS ACCOUNT**

**For the year ended 31 December 2012**

	Note	<b>2012</b>	<b>2011</b>
		£'000	£'000
<b>Continuing operations</b>			
Turnover	1(c)	4,219	4,528
Administrative expenses	3	<u>(4,219)</u>	<u>(4,528)</u>
<b>Operating profit</b>		-	-
Interest receivable and similar income	4	<u>10</u>	<u>10</u>
<b>Profit on ordinary activities before tax</b>		<b>10</b>	<b>10</b>
Tax on profit on ordinary activities	7	<u>24</u>	<u>66</u>
<b>Profit for the financial year</b>	12	<u><b>34</b></u>	<u><b>76</b></u>

There were no gains or losses in the year other than those included in the above profit and loss account

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

**LGV CAPITAL PARTNERS LIMITED**  
**BALANCE SHEET**

**As at 31 December 2012**

	Note	2012 £'000	2011 £'000
<b>Current assets</b>			
Debtors	8	2,496	746
Investment in cash fund		686	1,327
Cash at bank and in hand		<u>8</u>	<u>32</u>
		3,190	2,105
<b>Creditors: amounts falling due within one year</b>	9	<u>(1,232)</u>	<u>(732)</u>
<b>Net current assets</b>		<u>1,958</u>	<u>1,373</u>
<b>Total assets less current liabilities</b>		1,958	1,373
<b>Provisions for liabilities</b>	10	<u>(551)</u>	<u>-</u>
<b>Net assets</b>		<u><b>1,407</b></u>	<u><b>1,373</b></u>
<b>Capital and reserves</b>			
Called up share capital	11	-	-
Profit and loss account	12	<u>1,407</u>	<u>1,373</u>
<b>Total shareholders' funds</b>		<u><b>1,407</b></u>	<u><b>1,373</b></u>
<b>Reconciliation of movements in shareholders' funds</b>			
Opening shareholders' funds		1,373	1,297
Profit for the financial year		<u>34</u>	<u>76</u>
<b>Closing shareholders' funds</b>		<u><b>1,407</b></u>	<u><b>1,373</b></u>

The notes on pages 7 to 11 form an integral part of these financial statements

The financial statements on pages 5 to 11 were approved by the directors on 14 March 2013 and signed on its behalf by



J P Dawes

**Director**

LGV Capital Partners Limited

Registered in England and Wales Company Number 2682185



## **LGV CAPITAL PARTNERS LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **1. Accounting policies**

The main accounting policies of the Company are as follows

##### **(a) Basis of preparation**

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain investment in subsidiaries and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied continuously throughout the year, are set out below

In accordance with FRS 1 (Revised 1996) 'Cash Flow Statements' the Company has not prepared a cash flow statement as the ultimate holding company, Legal & General Group Plc, has included a group cash flow statement within its publicly available accounts

The Company has taken advantage of the exemptions under the terms of FRS 8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of Legal & General Group Plc or investees of Legal & General Group Plc, other than those disclosed in note 13

The directors and key management of the Company had no material transactions with the Company or any other group undertakings

##### **(b) Investment in cash fund**

The investment is held on the balance sheet at the lower of cost or net book value. The investment is in the LGIM Sterling Liquidity Fund. This is an Irish domiciled Open Ended Investment Company (OEIC) quoted on the Irish Stock Exchange with a stable net asset value and share price of £1 per share. The yield on this fund is paid in additional shares on the first day of each calendar month. The fund is rated AAA by Standard & Poor's and AAAMmf by Fitch Ratings

##### **(c) Turnover**

Turnover is stated excluding recoverable Value Added Tax and represents the General Partner's priority profit share of £4,219,000 (2011: £4,528,000) from private equity partnerships formed in England

##### **(d) Investment income**

Investment income includes dividends and interest. Dividends receivable from Group companies are recognised when paid for interim dividends, and when approved by the subsidiary Board for final dividends. All other investment income is recognised on an accruals basis

##### **(e) Taxation**

The tax shown in the Profit & Loss account comprises current and deferred tax

Current tax comprises tax payable on current period profits, adjusted for non-tax deductible or non-taxable items, and any adjustments to tax payable in respect of previous periods

Deferred tax is provided in full on all timing differences. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

# LGV CAPITAL PARTNERS LIMITED

## NOTES TO FINANCIAL STATEMENTS

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### 1. Accounting policies (continued)

#### (f) Dividend recognition

A dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are authorised and are no longer at the discretion of the Company. Final dividends are accrued when approved by the Company's shareholders and interim dividends are recognised when paid.

### 2. Segmental disclosure

The turnover and pre-tax profit is all attributable to the Company's activities as a financial services company and arises wholly in the UK.

### 3. Administrative expenses

Administrative expenses include fees of £4,219,000 (2011: £4,528,000) payable to LGV Capital Limited under the Management Agreements relating to each private equity partnership.

Fees payable to the auditor of the Company financial statements were £2,500 (2011: £2,500) which are borne by the parent company.

### 4. Interest receivable and similar income

	2012 £'000	2011 £'000
Income from cash fund	<u>10</u>	<u>10</u>

### 5. Directors' emoluments

No emoluments were paid to any director nor were any direct pension contributions paid in respect of services to this Company (2011: £Nil).

### 6. Pensions

The Company has no direct employees and hence makes no contributions towards retirement benefits (2011: £Nil).

# LGV CAPITAL PARTNERS LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 7. Tax credit (P&L account)

	2012 £'000	2011 £'000
<b><u>Current tax</u></b>		
UK Corporation Tax at 24.5% (2011: 26.5%)		
– Current tax for the year	(1)	3
– Adjustments in respect of prior periods	(574)	(69)
<b>Total current tax credit</b>	<b>(575)</b>	<b>(66)</b>
<b><u>Deferred tax</u></b>		
– Origination and reversal of timing differences	551	-
<b>Tax credit on profit on ordinary activities</b>	<b>(24)</b>	<b>(66)</b>

#### **Factors affecting current tax credit for the year:**

The tax assessed for the period is lower (2011: lower) than the standard rate of UK corporation tax and the differences are explained below

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	10	10
Tax calculated at the standard UK Corporation tax rate of 24.5% (2011: 26.5%)	2	3
Effects of		
Adjustments in respect of prior years	(574)	(69)
Non-taxable income including UK dividends	(3)	-
<b>Total current tax credit</b>	<b>(575)</b>	<b>(66)</b>

#### **Factors which may affect future tax charges**

Following the 2012 Budget announcement, the rate of corporation tax is expected to reduce progressively to 22% by 1 April 2014. To calculate the current tax on profits, the rate of tax used is 24.5% (2011: 26.5%), which is the average rate of corporation tax applicable for the year.

### 8. Debtors

	2012 £'000	2011 £'000
Amounts owed by limited partnerships	1,921	680
Corporation tax receivable	575	66
	<b>2,496</b>	<b>746</b>

# LGV CAPITAL PARTNERS LIMITED

## NOTES TO FINANCIAL STATEMENTS

### 9. Creditors : amounts falling due within one year

	2012 £'000	2011 £'000
Amounts due to group undertakings	<u>1,232</u>	<u>732</u>

The amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment

### 10. Provisions for liabilities

<u>Deferred tax liabilities</u>	£'000
At 1 January 2012	-
Additional provision during the year in the profit and loss account	551
At 31 December 2012	<u>551</u>

The balance for deferred tax consists of the following amounts

	2012 £'000	2011 £'000
Timing differences on GPPPS	<u>551</u>	<u>-</u>

The rate of tax used for the calculation of deferred tax is 23% (2011 25%), which is the rate of corporation tax that is expected to apply when the differences as mentioned above reverse. This rate will apply from 1st April 2013 (2010 1st April 2012) onwards.

### 11. Share capital

	2012 £	2011 £
Issued 100 ordinary shares of £1 each fully paid	<u>100</u>	<u>100</u>

### 12. Movement in reserves

	Profit and loss account £'000
Profit for the financial year	<u>34</u>
Opening reserves	1,373
Closing reserves	<u>1,407</u>

## **LGV CAPITAL PARTNERS LIMITED**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **13. Related party transactions**

- a) As at 31 December 2012, 6 (2011: 6) directors of LGV Capital Partners Limited were partners in the carried interest schemes held via LGV Management Limited Partnership 2001, LGV Management Limited Partnership 6 and LGV 7 Management Limited Partnership which are Scottish partnerships. These partnerships are limited partners in the LGV 2 Private Equity Fund, LGV 6 Private Equity Fund and LGV 7 Private Equity Fund which are English partnerships ("the Funds"). The Company is the General Partner for the Funds and receives a general partner's priority profit share from these partnerships based on the amount committed to the Fund less realisations and permanent write downs as set out in the Partnership Agreement.

Under the terms of the Partnership Agreement, the Scottish Partnerships are entitled to carried interest which is conditional upon a certain minimum return being generated for the investors in the Fund. The carried interest is paid to the Scottish partnerships by the Funds out of profits made by those Funds and is not a charge on the profits of the Company.

- b) A co-investment scheme exists under which the economic interest of the directors participating in the co-investment schemes is aligned with that of third party investors by co-investing in the Funds via the Scottish partnerships. The total amount invested in the Funds at 31 December 2012 by the above Scottish partnerships was £713,000 (2011: £477,000), of which the investment amount attributable to the directors at 31 December 2012 was £633,000 (2011: £418,000).

#### **14. Ultimate parent undertaking**

The immediate parent undertaking is LGV Capital Limited.

The ultimate parent company is Legal & General Group Plc, a company incorporated in England and Wales – the controlling party which consolidates the financial statements of the Company. These accounts therefore provide information about the Company as an individual undertaking. Copies of the accounts of the ultimate holding company, Legal & General Group Plc, are available on the Group website, [www.legalandgeneralgroup.com](http://www.legalandgeneralgroup.com) or from the Company Secretary at the Registered Office, One Coleman Street, London, EC2R 5AA.