

L.G.S. Investments (Holdings) Limited

**Directors' report and consolidated
financial statements**

Registered number 2873071

30 June 2005



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Directors' report

The directors present their report and audited financial statements for the year ended 30 June 2005.

Principal activities

The company is a special purpose company whose only activity is to hold an investment in LGS Investments plc. LGS Investments plc 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 group made a profit of £16,080 before taxation (2004: loss £8,640) during the year which was retained by the subsidiary company and the directors do not recommend the payment of a dividend.

Directors and directors' interests

The following directors held office during the period:

Wilmington Trust SP Services (London) Limited
Mr R Baker

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

In accordance with Section 348 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



Wilmington Trust SP Services (London) Limited
Director

Tower 42,
International Financial Centre,
25 Old Broad Street,
London,
EC2N 1HQ

22nd December, 2005

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 group 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 keeping 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

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Report of the independent auditors' to the members of L.G.S. Investments (Holdings) Limited

We have audited the financial statements on pages 4 to 14.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the director's report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 1985. 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 audit 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 group'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 and the group affairs as at 30 June 2005 and of the profit of the group 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

9 January 2006

Consolidated profit and loss account
for the year ended 30 June 2005

	<i>Note</i>	2005 £	2004 £
Income from fixed asset investments	4	6,440,471	6,438,223
Interest payable and similar charged on bonds in issue	5	(6,414,984)	(6,412,739)
		<hr/>	<hr/>
Administrative expenses		25,487	25,484
Other operating income		(22,464)	(34,585)
		12,500	-
		<hr/>	<hr/>
Operating profit/(loss)		15,523	(9,101)
Other interest receivable and similar income		557	461
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	2	16,080	(8,640)
Tax (charge)/credit on profit/(loss) on ordinary activities	6	(2,592)	2,592
		<hr/>	<hr/>
Retained profit/(loss) for the year		13,488	(6,048)
Retained profit brought forward		70,186	76,234
		<hr/>	<hr/>
Retained profit carried forward		83,674	70,186
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2005

	2005 £	2004 £
Profit/(loss) for the financial year	13,488	(6,048)
Opening shareholders' funds	70,187	76,235
	<hr/>	<hr/>
Closing shareholders' funds	83,675	70,187
	<hr/> <hr/>	<hr/> <hr/>

There were no gains or losses during the current or preceding year other than those passing through the profit and loss account. All 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 results as disclosed in the profit and loss account are prepared on an unmodified cost basis.

Consolidated balance sheet
at 30 June 2005

	Note	2005		2004	
		£	£	£	£
Fixed assets					
Investments	7		72,138,940		72,111,519
Current assets					
Called up share capital not paid		1		1	
Debtors	8	705,066		713,092	
Cash at bank and in hand		82,496		77,379	
		<u>787,563</u>		<u>790,472</u>	
Creditors: amounts falling due within one year	9	<u>(703,217)</u>		<u>(707,177)</u>	
Net current assets			<u>84,346</u>		<u>83,295</u>
Total assets less current liabilities			<u>72,223,286</u>		<u>72,194,814</u>
Creditors: amounts falling due after more than one year	10		<u>(72,139,611)</u>		<u>(72,124,627)</u>
Net assets			<u><u>83,675</u></u>		<u><u>70,187</u></u>
Capital and reserves					
Called up share capital	12		1		1
Profit and loss account			83,674		70,186
Shareholders' – equity			<u><u>83,675</u></u>		<u><u>70,187</u></u>

These financial statements were approved by the board of directors on 22/7/05 and were signed on its behalf by:

for 
Wilmington Trust SP Services (London) Limited
Director

Balance sheet
at 30 June 2005

	<i>Note</i>	2005	2004
		£	£
Fixed assets			
Investments	7	12,500	12,500
Current assets			
Called up share capital not paid		1	1
Investment in subsidiary not paid		-	-
		<u>1</u>	<u>1</u>
Creditors: amounts falling due within one year	9	(12,500)	-
Net current (liabilities)/assets		<u>(12,499)</u>	<u>1</u>
Total assets less current liabilities		<u>1</u>	<u>12,501</u>
Creditors: amounts falling due after more than one year	10	-	(12,500)
Net assets		<u><u>1</u></u>	<u><u>1</u></u>
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account		-	-
Shareholders' funds - equity		<u><u>1</u></u>	<u><u>1</u></u>

These financial statements were approved by the board of directors on 22/6/05 and were signed on its behalf by:

RC Doherty

Wilmington Trust SP Services (London) Limited
Director

Consolidated cash flow statement
for the year ended 30 June 2005

		2005 £	2004 £
Cash flow statement			
Cash (outflow)/inflow from operating activities	13	(20,990)	14,428
Returns on investments and servicing of finance	14	26,107	26,011
		<hr/>	<hr/>
Increase in cash in the year	15	5,117	40,439
		<hr/>	<hr/>
Reconciliation of net funds			
Increase in cash in the year		5,117	40,439
Net funds at the beginning of the year		77,379	36,940
		<hr/>	<hr/>
		82,496	77,379
		<hr/>	<hr/>

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 group'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.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 June 2005. The acquisition method of accounting has been adopted. Under this method, the results of the subsidiary are included in the consolidated profit and loss account for the period.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

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.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not yet reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

2 Profit/(loss) on ordinary activities before taxation

	2005 £	2004 £
<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit	6,052	11,530
Other services	1,762	1,762
	<u> </u>	<u> </u>

3 Remuneration of directors

None of the directors received remuneration for their services to the group, apart from fees of £10,668 (2004: £10,647) paid to Wilmington Trust SP Services (London) Limited, a director of the group, during the period for professional services provided on normal commercial terms by the company.

4 Income from fixed asset investments

	2005 £	2004 £
Income from fixed asset investments:		
Unlisted	6,413,050	6,413,050
Amortised discount	27,421	25,173
	<u> </u>	<u> </u>
	6,440,471	6,438,223
	<u> </u>	<u> </u>

5 Interest payable and similar charges on bonds in issue

	2005 £	2004 £
Interest paid on bonds in issue	6,387,500	6,387,500
Amortised discount	27,484	25,239
	<u> </u>	<u> </u>
	6,414,984	6,412,739
	<u> </u>	<u> </u>

Notes (continued)

6 Taxation

	2005 £	2004 £
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
	<hr/>	<hr/>
Total current tax		-
Deferred tax (note 11)	2,592	(2,592)
	<hr/>	<hr/>
Tax charge/(credit) on profit/(loss) on ordinary activities	2,592	(2,592)
	<hr/>	<hr/>

Factors affecting the tax charge for the period is lower (2004: lower) than the standard rate of corporation tax in the UK (30%, 2004: 30%). The differences are explained below.

	2005 £	2004 £
<i>Current tax reconciliation</i>		
Profit/(loss) before taxation	16,080	(8,640)
	<hr/>	<hr/>
Current tax charge/(credit) at 30% (2004: 30%)	4,824	(2,592)
Losses brought forward utilised	(2,592)	-
Less marginal relief	(810)	-
Short term timing differences	-	2,592
Expenses disallowed	150	-
Effect of reduced tax rate	(1,572)	-
	<hr/>	<hr/>
Current tax charge	-	-
	<hr/>	<hr/>

7 Fixed asset investments

Group	
<i>Cost</i>	£
At beginning and end of year	71,948,800
	<hr/>
<i>Amortised discount</i>	
At the beginning of the year	162,719
Amortised discount for the year	27,421
	<hr/>
At end of the year	190,140
	<hr/>
<i>Net book value</i>	
At 30 June 2005	72,138,940
	<hr/>
At 30 June 2004	72,111,519
	<hr/>

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

Notes (continued)

7 Fixed asset investments (continued)

Company	£
<i>Cost</i>	
At beginning and end of year	12,500

The company's fixed asset investment is the shares in its wholly owned subsidiary, LGS Investments plc.

8 Debtors

	2005 £	2004 £
Other debtors	-	5,758
Prepayments and accrued income	705,066	704,742
Deferred tax	-	2,592
	<u>705,066</u>	<u>713,092</u>

All debtors were due within one year.

9 Creditors: amounts falling due within one year

Group	2005 £	2004 £
Accruals and deferred income	703,217	707,177
	<u>703,217</u>	<u>707,177</u>
 Company	 2005 £	 2004 £
Amounts owed to group undertakings	12,500	-

Notes (continued)

10 Creditors: amounts falling due after more than one year

Group	2005 £	2004 £
Bond in issue at cost	71,948,800	71,948,800
Amortised discount	190,811	163,327
Bank loan	-	12,500
	<u>72,139,611</u>	<u>72,124,627</u>

	2005 £	2004 £
Amounts repayable, other than by instalments, after more than five years	<u>72,139,611</u>	<u>72,124,627</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.

Company	2005 £	2004 £
Bank loan	<u>-</u>	<u>12,500</u>

11 Deferred taxation

	2005 £	2004 £
At beginning of year	2,592	-
Credit for the year to the profit and loss account	(2,592)	2,592
At end of year	<u>-</u>	<u>2,592</u>

The components of the deferred tax debtor are analysed as follows:

	2005 £	2004 £
Tax losses carried forward	<u>-</u>	<u>2,592</u>

Notes (continued)

12 Called up share capital

	2005 £	2004 £
<i>Authorised</i>		
100 Ordinary share of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary share of £1 each	1	1
	<hr/>	<hr/>

13 Reconciliation of operating profit/(loss) to operating cash flows

	2005 £	2004 £
Operating profit/(loss)	15,523	(9,101)
Interest receivable	(6,413,050)	(6,413,050)
Interest payable	6,387,500	6,387,500
Amortisation of discount on debt securities issued	27,484	25,239
Amortisation of discount on debt securities purchased	(27,421)	(25,173)
Decrease in debtors	5,434	1,342,000
(Decrease) in creditors	(16,460)	(1,292,987)
	<hr/>	<hr/>
	(20,990)	14,428
	<hr/>	<hr/>

14 Returns on investments and servicing of finance

	2005 £	2004 £
Interest received	6,413,607	6,413,511
Interest paid	(6,387,500)	(6,387,500)
	<hr/>	<hr/>
	26,107	26,011
	<hr/>	<hr/>

Notes *(continued)*

15 Analysis of debt

	June 2004 £	Cash flow £	June 2005 £
Cash at bank and in hand	77,379	5,117	82,496
	<u> </u>	<u> </u>	<u> </u>

16 Ultimate parent undertaking

L.G.S. Investments (Holdings) Limited is registered in England and Wales and prepares group accounts which can be obtained from Tower 42 Level 11, 25 Old Broad Street, London, EC2N 1HQ.

The entire share capital of L.G.S. Investments (Holdings) Limited is held by Wilmington Trust SP Services (London) Limited under the terms of a trust declared ultimately for charitable purposes.

The ultimate controlling party is Wilmington Trust SP Services (London) Limited, as trustee.