

**L.G.S. Investments (Holdings) Limited**

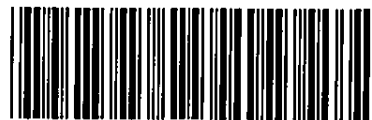
**Directors' report and consolidated  
financial statements**

Registered number 2873071

30 June 2008

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## Directors' report

The directors present their report and audited financial statements for the year ended 30 June 2008.

### 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.

The subsidiary company has no real competitors and is not subject to any specific legal or regulatory legislation.

LGS Investments PLC's main overall aim is to breakeven at the end of its 25 year life.

### Financial risks

The financial risks of the subsidiary company were addressed by the directors when the company set up its financial agreements. The company's financial receivables are loans from local authorities and its financial payables are issued bonds. The financial liabilities are matched by the same amount of financial assets. The interest rates are fixed eliminating interest rate risks.

Professional service fees have been set at a fixed amount within the corporate services agreement of this special purpose vehicle which enables the results of the Company to be stabilised over the life of the bonds.

### Results and dividends

The group made a loss of (£1,867) before taxation (2007: profit £33) during the year which was recorded in the reserves of 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 M H Filer

Mr R Baker (Resigned 28 February 2008)

Mr J-C Schroeder (Appointed 28 February 2008)

### Policy and practice on payment of creditors

It is the Group's policy that payments made to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers. The Group owed no amounts to trade creditors at 30 June 2008.

### Disclosure of information to auditors

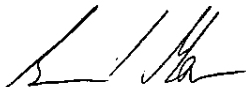
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

## **Directors' report** *(continued)*

### **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 group is to be proposed at the forthcoming annual general meeting.

By order of the board



**Sunil Masson**  
**Authorised Signatory**

On behalf of:  
**Wilmington Trust SP Services (London) Limited**  
*Director*

Fifth Floor  
6 Broad Street Place  
London  
EC2M 7JH

19 December<sup>2008</sup>

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 judgments and 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; and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 of L.G.S. Investments (Holdings) Limited for the year ended 30 June 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Reconciliation of Movements in Shareholders' Funds, the Consolidated Cash Flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

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

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company and the group's affairs as at 30 June 2008 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

*22 December 2008*

**Consolidated profit and loss account**  
*for the year ended 30 June 2008*

	Note	2008 £	2007 £
Income from fixed asset investments	5	5,565,102	5,562,597
Interest payable and similar charges on bonds in issue	6	(5,543,093)	(5,540,594)
		<hr/> 22,009	<hr/> 22,003
Administrative expenses		(24,415)	(22,403)
		<hr/>	<hr/>
<b>Operating Loss</b>		(2,406)	(400)
Other interest receivable and similar income	7	539	433
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>	3	(1,867)	33
Tax on (loss)/profit on ordinary activities	8	10	(5,099)
		<hr/>	<hr/>
<b>Loss for the year</b>		(1,857)	(5,066)
Retained profit brought forward		111,621	116,687
		<hr/>	<hr/>
<b>Retained profit carried forward</b>		109,764	111,621
		<hr/>	<hr/>

**Consolidated reconciliation of movements in shareholders' funds**  
*for the year ended 30 June 2008*

Group	2008 £	2007 £
<b>Loss for the financial year</b>	(1,857)	(5,066)
Opening shareholders' funds	111,622	116,688
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	109,765	111,622
	<hr/>	<hr/>

There were no movements in the Company shareholders' funds during the year.

There were no gains or losses during the current or preceding year other than those passing through the profit and loss account. Accordingly, a statement of total recognised gains and losses has not been prepared.

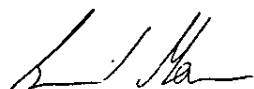
All the results for the year arise from continuing operations for both the current and preceding year.

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 2008*

	Note	2008	2007
		£	£
<b>Fixed assets</b>			
Investments	9	62,341,794	62,311,242
<b>Current assets</b>			
Called up share capital not paid		1	1
Debtors	10	606,531	606,526
Cash at bank and in hand		120,870	128,589
		<u>727,402</u>	<u>735,116</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(616,919)</u>	<u>(622,817)</u>
<b>Net current assets</b>		<u>110,483</u>	<u>112,299</u>
<b>Total assets less current liabilities</b>		<u>62,452,277</u>	<u>62,423,541</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>(62,342,512)</u>	<u>(62,311,919)</u>
<b>Net assets</b>		<u>109,765</u>	<u>111,622</u>
<b>Capital and reserves</b>			
Called up share capital	13	1	1
Profit and loss account	14	109,764	111,621
<b>Shareholders' equity</b>		<u>109,765</u>	<u>111,622</u>

These financial statements were approved by the board of directors on 19/12 2008 and were signed on its behalf by:



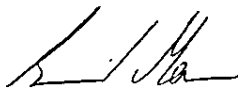
**Sunil Masson**  
**Authorised Signatory**

On behalf of:  
**Wilmington Trust SP Services (London) Limited**  
*Director*

**Company balance sheet**  
*at 30 June 2008*

	<i>Note</i>	<b>2008</b>	<b>2007</b>
		£	£
<b>Fixed assets</b>			
Investments	9	12,500	12,500
<b>Current assets</b>			
Called up share capital not paid		1	1
		<u>1</u>	<u>1</u>
<b>Creditors: amounts falling due within one year</b>	11	(12,500)	(12,500)
		<u>(12,499)</u>	<u>(12,499)</u>
<b>Net current liabilities</b>			
		(12,499)	(12,499)
<b>Total assets less current liabilities</b>		<u>1</u>	<u>1</u>
<b>Net assets</b>		<u>1</u>	<u>1</u>
<b>Capital and reserves</b>			
Called up share capital	13	1	1
		<u>1</u>	<u>1</u>
<b>Shareholders' equity</b>		<u>1</u>	<u>1</u>

These financial statements were approved by the board of directors on 19/12 2008 and were signed on its behalf by:

  
**Sunil Masson**  
**Authorised Signatory**  
 On behalf of:  
**Wilmington Trust SP Services (London) Limited**  
*Director*

**Consolidated cash flow statement**  
*for the year ended 30 June 2008*

		2008 £	2007 £
<b>Cash flow statement</b>			
Cash outflow from operating activities	16	(30,318)	(15,119)
Returns on investments and servicing of finance	17	22,589	22,483
Taxation		10	(11,964)
		<hr/>	<hr/>
<b>Decrease in cash in the year</b>	15	(7,719)	(4,600)
		<hr/>	<hr/>
<b>Reconciliation of net funds</b>			
Decrease in cash in the year		(7,719)	(4,600)
Net funds at the beginning of the year		128,589	133,189
		<hr/>	<hr/>
Net funds at the end of the year	15	120,870	128,589
		<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 June 2008. 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 year.

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 an 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 an 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.

#### ***Cash and cash equivalents***

Cash and cash equivalents comprise deposits in the Group's bank accounts.

#### ***Other payables***

Other payables are stated at cost.

#### ***Related parties***

Details of the Group's transactions with its related parties have been disclosed.

### 2 Staff numbers and costs

The company and its subsidiary had no employees during the year (2007: nil).

**Notes (continued)**

**3 Loss on ordinary activities before taxation**

	2008 £	2007 £
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit of these financial statements	6,051	7,711
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	2,350	2,350
	<u>          </u>	<u>          </u>

**4 Remuneration of directors**

Wilmington Trust SP Services (London) Limited, a director of the Company and its subsidiary, received £11,691 (2007: £9,469) in the year for professional services provided on normal commercial terms. None of the other directors received remuneration for their services to the group.

**5 Income from fixed asset investments**

	2008 £	2007 £
Income from fixed asset investments:		
Unlisted	5,534,550	5,534,550
Amortised discount	30,552	28,047
	<u>5,565,102</u>	<u>5,562,597</u>

**6 Interest payable and similar charges on bonds in issue**

	2008 £	2007 £
Interest paid on bonds in issue	5,512,500	5,512,500
Amortised discount	30,593	28,094
	<u>5,543,093</u>	<u>5,540,594</u>

**7 Other interest receivable and similar income**

	2008 £	2007 £
Bank interest received	539	433
	<u>          </u>	<u>          </u>

## Notes (continued)

### 8 Taxation

	2008	2007
<i>UK corporation tax</i>	£	£
Current tax on income for the year	(10)	6
Underprovision of prior year's charge	-	5,093
	<hr/>	<hr/>
Tax (credit)/charge on (loss)/profit on ordinary activities	(10)	5,099
	<hr/>	<hr/>

The tax charge for the period is lower (2007: lower) than the standard rate of corporation tax in the UK (20%, 2007: 19%). The differences are explained below.

	2008	2007
<i>Current tax reconciliation</i>	£	£
(Loss)/profit on ordinary activities before taxation	(1,867)	33
	<hr/>	<hr/>
Current tax (credit)/charge at 20% (2007: 19%)	(560)	6
Underprovision of prior year's charge	-	5,093
Trading losses carried forward	550	-
	<hr/>	<hr/>
Current tax (credit)/charge	(10)	5,099
	<hr/>	<hr/>

Trading losses carried forward of £1,834 give rise to a deferred tax asset of £513. This asset has not been recognised as it is uncertain that the Group will generate sufficient future trading profits against which to offset the losses carried forward.

### 9 Fixed asset investments

#### Group

<i>Cost</i>	£
At beginning of and end of the year	62,092,800
	<hr/>
<i>Amortised discount</i>	
At the beginning of the year	218,442
Amortised discount for the year	30,552
	<hr/>
At end of the year	248,994
	<hr/>
<i>Net book value</i>	
At 30 June 2008	62,341,794
	<hr/>
At 30 June 2008	62,311,242
	<hr/>

The fixed asset investment comprises unlisted debt securities in the form of local authority loan instruments, all with an interest rate of 8.785 %, redeemable on 22 May 2020. All of these instruments have been pledged to Bankers Trust Company Limited as security for bonds issued by the Company.

**Notes (continued)**

**9 Fixed asset investments (continued)**

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

The company's fixed asset investment consists of the entire share capital of its wholly owned subsidiary, LGS Investments PLC, an investment company incorporated in the United Kingdom.

**10 Debtors**

<b>Group</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Prepayments and accrued income	<b>606,526</b>	606,526
Corporation tax	<b>5</b>	-
	<b>606,531</b>	<b>606,526</b>

All debtors are due within one year.

**11 Creditors: amounts falling due within one year**

<b>Group</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Corporation tax	-	6
Accruals and deferred income	<b>616,919</b>	622,811
	<b>616,919</b>	<b>622,817</b>

<b>Company</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Amounts owed to subsidiary undertaking	<b>12,500</b>	12,500

**12 Creditors: amounts falling due after more than one year**

<b>Group</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Bond in issue at cost at start of year	<b>62,092,800</b>	62,092,800
Amortised discount	<b>249,712</b>	219,119
	<b>62,342,512</b>	<b>62,311,919</b>

**Notes (continued)**

**12 Creditors: amounts falling due after more than one year (continued)**

Repayment analysis	2008 £	2007 £
Amounts repayable, other than by instalments, after more than five years	<b>62,342,512</b>	62,311,919

The bonds, which are redeemable by 22 May 2020, have a nominal value of £63,000,000 and bear interest at 8.75% per annum.

The unlisted debt securities in the form of local authority loan instruments held by the Company have been pledged to Bankers Trustee Company Limited as security for the above issued bonds.

**13 Called up share capital**

	2008 £	2007 £
<i>Authorised</i>		
100 Ordinary shares of £1 each	<b>100</b>	100
<i>Allotted, called up and unpaid</i>		
Ordinary shares of £1 each	<b>1</b>	1

**14 Statement of movements on profit and loss account**

Group	Profit and loss account £
Balance at 1 July 2007	111,621
Loss for the financial year	(1,857)
<b>Balance at 30 June 2008</b>	<b>109,764</b>

**15 Analysis of net funds**

	June 2007 £	Cash flow £	June 2008 £
Cash at bank and in hand	128,589	(7,719)	120,870

## Notes (continued)

### 16 Reconciliation of operating loss to operating cash flows

	2008 £	2007 £
Operating (loss)	(2,406)	(400)
Interest receivable	(5,534,550)	(5,534,550)
Interest payable	5,512,500	5,512,500
Amortisation of discount on debt securities issued	30,593	28,094
Amortisation of discount on debt securities purchased	(30,552)	(28,047)
Increase / (Decrease) in debtors	(5)	2,133
(Decrease) / Increase in creditors	(5,898)	5,151
	<u>(30,318)</u>	<u>(15,119)</u>

### 17 Returns on investments and servicing of finance

	2008 £	2007 £
Interest received	5,535,089	5,534,983
Interest paid	(5,512,500)	(5,512,500)
	<u>22,589</u>	<u>22,483</u>

### 18 Related party transactions

The Group is controlled ultimately by Wilmington Trust SP Services (London) Limited, a director of the Company and its subsidiary. No director received any remuneration other than Wilmington Trust SP Services (London) Limited which receives a fee for the provision of corporate services under the terms of a corporate services agreement. Under the terms of the agreement, Wilmington Trust SP Services (London) Limited is entitled to receive annual fees of £9,000 (2007: £9,000).

Included within the profit and loss account are corporate services fees plus expenses charged by Wilmington Trust SP Services (London) Limited totalling £11,691 (2007: £9,469).

At 30 June 2008, £6,403 (2007: £10,615) relating to corporate services fees were outstanding and are included within Creditors: amounts falling due within one year.

### 19 Ultimate parent undertaking

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 results of the LGS Investments (Holdings) Group Limited are not consolidated into the financial statements of any larger groups.

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