

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

**Directors' report and consolidated  
financial statements**

**Registered number 2873071**

**30 June 2011**

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## **Directors' report**

The directors present their report and audited financial statements for the year ended 30 June 2011

### **Principal activities**

The company holds an investment in L G S Investments PLC. L G S Investments PLC is an investment company whose only activity is to hold local authority loan instruments and to service bonds to finance them. There are £73,000,000 8.75% secured bonds issued which are listed on the London Stock Exchange. The local authority loan instruments have been pledged to Bankers Trust Company Limited as security for the bonds.

### **Financial risks**

The financial risks of the subsidiary company were addressed by the directors when the company set up its financial agreements. The subsidiary 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 risk.

Professional services fees have been set at a fixed amount within the corporate services agreement which enables the results of the group to be stabilised over the life of the bonds.

### **Going concern**

The financial statements have been prepared on a going concern basis which assumes the group will continue in operational existence for the foreseeable future.

The directors have reviewed the future forecasts and have confirmed that adequate financing is available to enable the group to meet its liabilities as they fall due.

### **Results and dividends**

The group made a loss of £2,515 before taxation (*2010 profit £112*) during the year. The directors do not recommend the payment of a dividend (*2010 £nil*).

### **Directors**

The following directors held office during the period:

Wilmington Trust SP Services (London) Limited  
Mr M H Filer  
Mr J-C Schroeder

### **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 2011 (*2010 £nil*).

### **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

Pursuant to Section 487 of the Companies Act 2006, the Company has dispensed with the requirement to reappoint its auditors annually. Accordingly, KPMG Audit Plc will continue to act as the Company's auditors, unless otherwise directed.

By order of the board

  
**Mignon Clarke**  
Wilmington Trust SP Services (London) Limited  
Director

Third Floor  
1 King's Arms Yard  
London  
EC2R 7AF

9/12/2011

## **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 group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 group and parent company and of their profit or loss for that period

In preparing each of the group and parent company 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,
- 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006

They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities



## KPMG Audit Plc

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

### **Independent auditors' report 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 2011 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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, or for the opinions we have formed.

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

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 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 (APB's) Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

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

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2011 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matters 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.

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

**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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

**A Turner (Senior Statutory Auditor)**

**For and on behalf of KPMG Audit Plc, Statutory Auditor**  
Chartered Accountants  
8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

**13 December** 2011

**Consolidated profit and loss account**  
*for the year ended 30 June 2011*

	<i>Note</i>	<b>2011</b> £	<b>2010</b> £
Income from fixed asset investments	5	5,574,041	5,570,803
Interest payable and similar charged on bonds in issue	6	(5,552,005)	(5,548,778)
		<hr/>	<hr/>
Administrative expenses		22,036 (24,630)	22,025 (21,986)
		<hr/>	<hr/>
<b>Operating (Loss)/profit</b>		<b>(2,594)</b>	<b>39</b>
Other interest receivable and similar income	7	79	73
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(2,515)</b>	<b>112</b>
Tax on (loss)/profit on ordinary activities	8	-	-
		<hr/>	<hr/>
<b>(Loss)/profit for the year</b>		<b>(2,515)</b>	<b>112</b>
Retained profit brought forward		109,613	109,501
		<hr/>	<hr/>
<b>Retained profit carried forward</b>		<b>107,098</b>	<b>109,613</b>
		<hr/> <hr/>	<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 of 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 reconciliation of movements in shareholders' funds**  
*for the year ended 30 June 2011*

Group	<b>2011</b> £	<b>2010</b> £
<b>(Loss)/profit for the financial year</b>	<b>(2,515)</b>	<b>112</b>
Opening shareholders' funds	109,614	109,502
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>107,099</b>	<b>109,614</b>
	<hr/> <hr/>	<hr/> <hr/>



**Consolidated balance sheet**  
*at 30 June 2011*

	Note	£	2011 £	£	2010 £
<b>Fixed assets</b>					
Investments	9		62,450,819		62,411,328
<b>Current assets</b>					
Called up share capital not paid			1		1
Debtors	10		606,526		606,526
Cash at bank and in hand			115,156		120,994
			<u>721,683</u>		<u>727,521</u>
<b>Creditors: amounts falling due within one year</b>	11		<u>(613,794)</u>		<u>(617,131)</u>
<b>Net current assets</b>			<u>107,889</u>		<u>110,390</u>
<b>Total assets less current liabilities</b>			<u>62,558,708</u>		<u>62,521,718</u>
<b>Creditors: amounts falling due after more than one year</b>	12		<u>(62,451,609)</u>		<u>(62,412,104)</u>
<b>Net assets</b>			<u>107,099</u>		<u>109,614</u>
<b>Capital and reserves</b>					
Called up share capital	13		1		1
Profit and loss account	14		107,098		109,613
<b>Shareholders' funds</b>			<u>107,099</u>		<u>109,614</u>

These financial statements of L G S Investments (Holdings) Limited, company registration number 02873071, were approved by the board of directors on 9/12/2011 and were signed on its behalf by


  
**Mignon Clarke**

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

**Company balance sheet**  
*at 30 June 2011*

	<i>Note</i>	£	2011 £	£	2010 £
<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)	
<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
<b>Shareholders' equity</b>			<u>1</u>		<u>1</u>

These financial statements of L G S Investments (Holdings) Limited, company registration number 02873071, were approved by the board of directors on 9/12/2011 and were signed on its behalf by

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

**Consolidated cash flow statement**  
*for the year ended 30 June 2011*

		2011 £	2010 £
<b>Cash flow statement</b>			
Cash outflow from operating activities	16	(27,967)	(11,308)
Returns on investments and servicing of finance	17	22,129	22,123
		<hr/>	<hr/>
<b>(Decrease)/increase in cash in the year</b>	15	(5,838)	10,815
		<hr/>	<hr/>
<b>Reconciliation of net funds</b>			
(Decrease)/increase in cash in the year		(5,838)	10,815
Net funds at the beginning of the year		120,994	110,179
		<hr/>	<hr/>
Net funds at the end of the year	15	115,156	120,994
		<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 2011. 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 408 of the Companies Act 2006 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.

***Going concern***

The financial statements have been prepared on a going concern basis which assumes the group will continue in operational existence for the foreseeable future.

The directors have reviewed the future forecasts and have confirmed that adequate financing is available to enable the group to meet its liabilities as they fall due.

**2 Staff numbers and costs**

The company and its subsidiary had no employees during the year (2010 nil).

**Notes (continued)**

**3 Profit on ordinary activities before taxation**

	2011 £	2010 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration		
Audit of these financial statements	5,536	5,052
Amounts receivable by the auditors and their associates in respect of		
Other services relating to taxation	3,669	3,349
	<u>          </u>	<u>          </u>

**4 Remuneration of directors**

Wilmington Trust SP Services (London) Limited, a director of the Company and its subsidiary, received £10,847 (2010 £10,441) 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**

	2011 £	2010 £
Unlisted	5,534,550	5,534,550
Amortised discount	39,491	36,253
	<u>          </u>	<u>          </u>
	5,574,041	5,570,803
	<u>          </u>	<u>          </u>

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

	2011 £	2010 £
Interest paid on bonds in issue	5,512,500	5,512,500
Amortised discount	39,505	36,278
	<u>          </u>	<u>          </u>
	5,552,005	5,548,778
	<u>          </u>	<u>          </u>

**7 Other interest receivable and similar income**

	2011 £	2010 £
Bank interest received	79	73
	<u>          </u>	<u>          </u>
	79	73
	<u>          </u>	<u>          </u>

**Notes (continued)**

**8 Taxation**

	2011	2010
	£	£
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Under provision of prior year's charge	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>

The tax charge for the period is lower (2010 lower) than the standard rate of corporation tax in the UK (28%, 2010 28%) The differences are explained below

	2011	2010
	£	£
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before taxation	(2,515)	112
	<hr/>	<hr/>
Current tax credit at 28% (2010 28%)	704	31
Under provision of prior year charge	-	-
Trading losses carried forward	-	-
Utilisation of tax losses	(704)	(31)
	<hr/>	<hr/>
Current tax charge	-	-
	<hr/>	<hr/>

Trading losses carried forward of £4,528 (2010 £2,013) give rise to a deferred tax asset of £1,268 (2010 £564) 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**

<b>Group</b>	
<i>Cost</i>	£
At beginning and end of the year	62,092,800
	<hr/>
<i>Amortised discount</i>	
At the beginning of the year	318,528
Amortised discount for the year	39,491
	<hr/>
<b>At end of the year</b>	358,019
	<hr/>
<i>Net book value</i>	
<b>At 30 June 2011</b>	62,450,819
	<hr/>
At 30 June 2010	62,411,328
	<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)**

**Company**

**Cost**

At beginning and end of year

**£**

**12,500**

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

**10 Debtors**

**Group**

**2011**

**2010**

**£**

**£**

Prepayments and accrued income

**606,526**

**606,526**

**606,526**

**606,526**

All debtors are due within one year

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

**Group**

**2011**

**2010**

**£**

**£**

Accruals and deferred income

**613,794**

**617,131**

**613,794**

**617,131**

**Company**

**2011**

**2010**

**£**

**£**

Amounts owed to subsidiary undertaking

**12,500**

**12,500**

**12,500**

**12,500**

**Notes (continued)**

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

<b>Group</b>	<b>2011 £</b>	<b>2010 £</b>
Bond in issue at cost at start of year	<b>62,092,800</b>	62,092,800
Amortised discount	<b>358,809</b>	319,304
	<b>62,451,609</b>	62,412,104
<b>Repayment analysis</b>	<b>2011 £</b>	<b>2010 £</b>
Amounts repayable, other than by instalments, after more than five years	<b>62,451,609</b>	62,412,104

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**

	<b>2011 £</b>	<b>2010 £</b>
<b>Authorised</b>		
100 Ordinary share of £1 each	<b>100</b>	100
<b>Allotted, called up and fully paid</b>		
1 Ordinary share of £1	<b>1</b>	1

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

<b>Group</b>	<b>Profit and loss account £</b>
Balance as at 1 July 2010	109,613
Loss for the financial year	(2,515)
<b>Balance at 30 June 2011</b>	<b>107,098</b>

During the year, there was no movement on the profit and loss account in relation to the company



**Notes (continued)**

**15 Analysis of net funds**

	June 2010 £	Cash flow £	June 2011 £
Cash at bank and in hand	120,994	(5,838)	115,156

**16 Reconciliation of operating loss investment operating cash flows**

	2011 £	2010 £
Operating (loss)/profit	(2,594)	39
Interest receivable	(5,534,550)	(5,534,550)
Interest payable	5,512,500	5,512,500
Amortisation of discount on debt securities issued	39,505	36,278
Amortisation of discount on debt securities purchased	(39,491)	(36,253)
Decrease in debtors	-	910
(Decrease)/increase in creditors	(3,337)	9,768
	<u>(27,967)</u>	<u>(11,308)</u>

**Notes (continued)**

**17 Returns on investments and servicing of finance**

	2011 £	2010 £
Interest received	5,534,629	5,534,623
Interest paid	(5,512,500)	(5,512,500)
	<u>22,129</u>	<u>22,123</u>

**18 Related party transactions**

The Group is controlled 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 (2010 £9,000).

Included within the profit and loss account are corporate services fees plus expenses and value added tax charged by Wilmington Trust SP Services (London) Limited totalling £10,749 (2010 £10,441).

At 30 June 2011, an amount of £6,603 (2010 £6,372) 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 L G S 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.