

**L.G.S. Investments PLC**

**Directors' report and financial  
statements**

**Registered number 2879716**

**30 June 2007**

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## Directors' report

The directors present their report and audited financial statements for the year ended 30 June 2007

### Principal activities and business review

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

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

### Financial risks

The financial risks of the company were addressed by the directors when the company set up the 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 services fees have been fixed to a degree which, in conjunction with the above, results in a steady surplus for the life of this special purpose vehicle.

### Results and dividends

The company made a profit before taxation of £33 (2006 Profit £39,884) for the year ended 30 June 2007. The directors do not recommend the payment of a dividend.

### Directors and directors' interests

The following directors held office during the year:

Wilmington Trust SP Services (London) Limited (previously named SPV Management Limited)

Mr R Baker

Mr M H Filer

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

### 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 Company'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 Company's auditors are aware of that information.

### 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

  
Robin Baker  
Wilmington Trust SP Services (London) Limited  
Director

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

23 Jan 2008

## **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 8BH  
United Kingdom

### **Independent auditors' report to the members of LGS Investments PLC**

We have audited the financial statements of LGS Investments PLC for the year ended 30 June 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds 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. In 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 2.

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

**Independent auditors' report to the members of L.G.S. Investments PLC**  
*(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's affairs as at 30 June 2007 and of its 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

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**Profit and loss account**  
*for the year ended 30 June 2007*

	<i>Note</i>	2007 £	2006 £
Income from fixed asset investments	4	5,562,597	6,153,157
Interest payable and similar charged on bonds in issue	3	(5,540,594)	(6,131,176)
		<hr/>	
Administrative expenses		22,003	21,981
Other operating income		(22,403)	(24,867)
		-	42,410
		<hr/>	
Operating (loss) / profit		(400)	39,524
Other interest receivable and similar income	6	433	360
		<hr/>	
Profit on ordinary activities before taxation	2	33	39,884
Tax charge on profit on ordinary activities	7	(5,099)	(6,871)
		<hr/>	
Retained (loss)/profit for the year		(5,066)	33,013
Retained profit brought forward		116,687	81,674
		<hr/>	
Retained profit carried forward		111,621	116,687
		<hr/>	

**Reconciliation of movements in shareholders' funds**  
*for the year ended 30 June 2007*

	2007 £	2006 £
(Loss)/Profit for the financial year	(5,066)	33,013
Opening shareholders' funds	129,187	96,174
	<hr/>	
Closing shareholders' funds	124,121	129,187
	<hr/>	

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

**Balance sheet**  
*at 30 June 2007*

	<i>Note</i>	2007	2006
		£	£
<b>Fixed assets</b>			
Investments	8	62,311,242	62,283,195
<b>Current assets</b>			
Debtors	9	619,026	621,159
Cash at bank and in hand		128,589	133,189
		<u>747,615</u>	<u>754,348</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(622,817)</u>	<u>(624,531)</u>
<b>Net current assets</b>		<u>124,798</u>	<u>129,817</u>
<b>Total assets less current liabilities</b>		<u>62,436,040</u>	<u>62,413,012</u>
<b>Creditors: amounts falling due after more than one year</b>	11	<u>(62,311,919)</u>	<u>(62,283,825)</u>
<b>Net assets</b>		<u>124,121</u>	<u>129,187</u>
<b>Capital and reserves</b>			
Called up share capital	12	12,500	12,500
Profit and loss account		111,621	116,687
<b>Shareholders' equity</b>		<u>124,121</u>	<u>129,187</u>

These financial statements were approved by the board of directors on 23 Jan 2008 and were signed on its behalf by

  
Robin Baker

Wilmington Trust SP Services (London) Limited  
Director



## 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 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 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

Under Financial Reporting Standard No 8, Related Part 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

#### *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

### 2 Profit on ordinary activities before taxation

	2007 £	2006 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	7,711	6,639
Amounts receivable by the auditors and their associates in respect of		
Other services relating to taxation	2,350	1,762

**Notes (continued)**

**3 Remuneration of directors**

Wilmington Trust SP Services (London) Limited, a director of the company, received £9,469 (2006: £12,991) in the year for professional services provided on normal commercial terms. None of the other directors received remuneration for their services to the company.

**4 Staff numbers and costs**

The company had no employees during the year.

**5 Income from fixed asset investments**

	2007 £	2006 £
Income from fixed asset investments		
Unlisted	5,534,550	6,124,444
Amortised discount	28,047	28,713
	<u>5,562,597</u>	<u>6,153,157</u>

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

	2007 £	2006 £
Interest paid on bonds in issue	5,512,500	6,102,408
Amortised discount	28,094	28,768
	<u>5,540,594</u>	<u>6,131,176</u>

**7 Other interest receivable and similar income**

	2007 £	2006 £
Bank interest received	433	360
	<u>433</u>	<u>360</u>

## Notes (continued)

### 8 Taxation

	2007 £	2006 £
<i>UK corporation tax</i>		
Current tax on income for the year	6	6,871
Underprovision of prior year's charge	5,093	-
	<u>5,099</u>	<u>6,871</u>
Tax on profit on ordinary activities	<u>5,099</u>	<u>6,871</u>

Factors affecting the tax charge for the year is higher (2006 lower) than the standard rate of corporation tax in the UK (19%, 2006 19%). The differences are explained below

	2007 £	2006 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	33	39,884
	<u>6</u>	<u>7,578</u>
Current tax charge at 19% (2006: 19%)	6	7,578
Less marginal relief	-	(707)
Underprovision of prior year's charge	5,093	-
	<u>5,099</u>	<u>6,871</u>
Current tax charge	<u>5,099</u>	<u>6,871</u>

### 9 Fixed asset investments

	£
<i>Cost</i>	
At beginning of and end of the year	62,092,800
	<u>62,092,800</u>
<i>Amortised discount</i>	
At the beginning of the year	190,395
Amortised discount for the year	28,047
	<u>218,442</u>
At end of the year	<u>218,442</u>
<i>Net book value</i>	
At 30 June 2007	62,311,242
	<u>62,311,242</u>
At 30 June 2006	62,281,195
	<u>62,281,195</u>

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)**

**10 Debtors**

	2007 £	2006 £
Amounts owed by group undertakings	12,500	12,500
Prepayments and accrued income	606,526	608,659
	<u>619,026</u>	<u>621,159</u>

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

	2007 £	2006 £
Corporation tax	6	6,871
Accruals and deferred income	622,811	617,660
	<u>622,817</u>	<u>624,531</u>

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

	2007 £	2006 £
Bond in issue at cost at start of year	62,092,800	71,948,800
Redemptions during the year	-	(9,856,000)
Amortised discount	219,119	191,025
	<u>62,311,919</u>	<u>62,283,825</u>
	2007 £	2006 £
Amounts repayable, other than by instalments, after more than five years	<u>62,311,919</u>	<u>62,283,825</u>

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.

**Notes (continued)**

**13 Called up share capital**

	2007 £	2006 £
<i>Authorised</i>		
Ordinary share of £1 each	50,000	50,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid as at 25p per share</i>		
50,000 Ordinary share of £1 each	12,500	12,500
	<hr/>	<hr/>

**14 Ultimate parent undertaking**

L G S Investments PLC is a wholly owned subsidiary undertaking, whose ultimate parent undertaking is L G S Investment (Holdings) Limited. 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.

**Analysis of administrative expenses**  
*for the year ended 30 June 2007*

	2007 £	2006 £
Registrar's fee	1,788	2,359
Audit fee	7,711	6,639
Professional Taxation fees	2,350	1,762
Wilmington Trust SP Services (London) Limited's fee	9,469	12,991
RETCO Trust fee	1,085	1,116
	<hr/> 22,403 <hr/>	<hr/> 24,867 <hr/>

The above information does not form part of the audited statutory accounts and is included solely for the information of management