

LAW DEBENTURE GUARANTEE COMPANY NO. 2 LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

REGISTERED NUMBER: 06225322

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COMPANIES HOUSE

LAW DEBENTURE GUARANTEE COMPANY NO. 2 LIMITED

DIRECTORS

L D C Nominee Director No 1 Limited
L D C Nominee Director No 2 Limited
T M J Fullwood

REGISTERED OFFICE

Fifth Floor
100 Wood Street
London EC2V 7EX

NOTICE OF MEETING

Notice is hereby given that the sixth annual general meeting of Law Debenture Guarantee Company No 2 Limited (the "company") will be held on 21 March 2013 at Fifth Floor, 100 Wood Street, London, EC2V 7EX for the following purposes

- 1 To consider and approve the report of the directors and the financial statements for the year ended 31 December 2012
- 2 To re-appoint BDO LLP as the company's auditors and authorise the directors to determine their remuneration

A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member. Any instrument appointing a proxy must be received at the registered office before the time fixed for the meeting.

By order of the Board



Law Debenture Corporate Services Limited
Secretary
21 March 2013

LAW DEBENTURE GUARANTEE COMPANY NO. 2 LIMITED

DIRECTORS' REPORT

The directors present to the member the report and the financial statements of the company for the year ended 31 December 2012

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company is engaged in making loans to companies in the Law Debenture group

The directors are not aware at the date of the report of any likely changes in the company's activities in the next year

The company was incorporated as a company limited by guarantee, its sole member being The Law Debenture Corporation p l c

Under the terms of the guarantee it is the intention of The Law Debenture Corporation p l c to ensure that all amounts of interest and principal payable to the company by Law Debenture Holdings Limited under the loan agreement are met

During the year the repayable period of the loan was extended to 30 April 2017

The company has no share capital

RESULTS

The company's profit after taxation for the year was £390,000 (2011 £370,000), which is equal to the distribution made to its sole member. There are no accumulated reserves carried forward and accordingly, the directors remain of the view that the company is a going concern

FINANCIAL INSTRUMENTS

The company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with taking and receiving loans and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk

DIRECTORS

The directors of the company during the financial year were as follows

L D C Nominee Director No 1 Limited

L D C Nominee Director No 2 Limited

T M J Fullwood

During the year, the company maintained liability insurance for the benefit of directors and other officers

LAW DEBENTURE GUARANTEE COMPANY NO. 2 LIMITED

(DIRECTORS' REPORT CONTINUED)

DIRECTORS' INTERESTS

The company has no share capital and is limited by guarantee



STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors has confirmed that so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and that they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

The auditors, BDO LLP, have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006

By order of the Board

Law Debenture Corporate Services Limited
Secretary
21 March 2013

LAW DEBENTURE GUARANTEE COMPANY NO. 2 LIMITED

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 elected to prepare 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.

LAW DEBENTURE GUARANTEE COMPANY NO. 2 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LAW DEBENTURE GUARANTEE COMPANY NO. 2 LIMITED

We have audited the financial statements of Law Debenture Guarantee Company No 2 Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet 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)

This report is made solely to the company's member, 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 member 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 member, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of directors' responsibilities, 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 (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENT

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

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 requirements of the Companies Act 2006

LAW DEBENTURE GUARANTEE COMPANY NO. 2 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LAW DEBENTURE GUARANTEE COMPANY NO 2 LIMITED (CONTINUED)

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

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

BDO LLP

Vanessa-Jayne Bradley (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
21 March 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

LAW DEBENTURE GUARANTEE COMPANY No. 2 LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER

		2012	2011
	Notes	£	£
REVENUE			
Distribution received	5	370,000	370,000
Interest receivable		990,000	990,000
Interest payable		(990,000)	(990,000)
PROFIT ON ORDINARY ACTIVITIES			
BEFORE TAXATION		390,000	370,000
Taxation on profit on ordinary activities		-	-
PROFIT ON ORDINARY ACTIVITIES			
AFTER TAXATION		390,000	370,000

There are no recognised gains or losses other than the result for the period

All amounts relate to continuing operations

The annexed notes form part of these financial statements

LAW DEBENTURE GUARANTEE COMPANY NO. 2 LIMITED

BALANCE SHEET - 31 DECEMBER

	Notes	2012 £	2011 £
NON CURRENT ASSETS			
Amounts due from group undertakings	6	12,000,000	12,000,000
CREDITORS:			
Amounts falling due after one year			
Amounts due to group undertakings	7	(12,000,000)	(12,000,000)
NET ASSETS		<u>-</u>	<u>-</u>
CAPITAL AND RESERVES			
Profit and loss account		-	-
MEMBER'S FUNDS (all equity interests)	8	<u>-</u>	<u>-</u>

Approved and authorised for issue by the Board on 21 March 2013
and signed on its behalf by


L D C Nominee Director No 1 Limited Director

The annexed notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS- 31 DECEMBER 2012

1. STATEMENT OF ACCOUNTING POLICIES

- (i) **Convention:** The financial statements have been prepared in accordance with the historical cost convention and in accordance with applicable accounting standards
- (ii) **Recognition of revenue and expenses:** Interest receivable, dividends, administrative expenses and interest charges are accounted for on an accruals basis
- (iii) **Cash flow statement:** The Company is exempt from preparing a cash flow statement as it is a wholly owned subsidiary of The Law Debenture Corporation p l c (a company incorporated in England and Wales) and is included in the consolidated financial statements of that company whose accounts are publicly available. Consequently, the company has taken advantage of the exceptions from preparing a cash flow statement under the terms of FRS1
- (iv) **Deferred taxation:** Deferred taxation is provided for using the full provision method following the adoption of Financial Reporting Standard No 19. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax balances are not discounted

2. ADMINISTRATIVE EXPENSES

The administration of the company is undertaken by another subsidiary undertaking of The Law Debenture Corporation p l c (L D C Trust Management Limited). Audit and non-audit fees paid to the auditors during the year are borne by another group company.

3. EMPLOYEE INFORMATION AND DIRECTORS' EMOLUMENTS

There were no employees during the period (2011 Nil)

The directors received no emoluments in respect of their services to the company during the year (2011 £Nil)

4. TAXATION

(a) ANALYSIS OF TAXATION CHARGE

There is no taxation in respect of the year (2011 £Nil)

(b) FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

Differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	<u>390,000</u>	<u>370,000</u>
Profit on ordinary activities multiplied by the standard rate of UK Corporation tax at 24.5% (2011 26.5%)	95,550	98,050
Effects of Non taxable distribution	<u>(95,550)</u>	<u>(98,050)</u>
Current tax charge for year (Note (a))	<u>-</u>	<u>-</u>

(c) FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The company's future effective tax rate will depend on the receipt of taxable income

5. DISTRIBUTION

	2012 £	2011 £
Dividend received from subsidiary and distributed to sole member	<u>390,000</u>	<u>370,000</u>

6. AMOUNTS DUE FROM GROUP UNDERTAKINGS

The amounts due from group undertakings are until 30 April 2017 (2011 30 April 2012) and carry interest at 8.25% per annum

7. AMOUNTS DUE TO GROUP UNDERTAKINGS

The amounts due to group undertakings are until 30 April 2017 (2011 30 April 2012) and carry interest at 8.25% per annum
The loan may be repaid in part or full by giving six weeks notice without penalty

LAW DEBENTURE GUARANTEE COMPANY NO. 2 LIMITED

8. RECONCILIATION OF MOVEMENT IN MEMBER'S FUNDS	2012 £	2011 £
Result for the period	390,000	370,000
Distribution to sole member	(390,000)	(370,000)
Net movement in member's funds	-	-
Member's funds at 1 January	-	-
Member's funds at 31 December	-	-

9. ULTIMATE CONTROLLING PARTY

The Law Debenture Corporation p l c a company registered in England and Wales is the sole member of the company Copies of the group financial statements of The Law Debenture Corporation p l c can be obtained from The Secretary, The Law Debenture Corporation p l c , Fifth Floor, 100 Wood Street, London EC2V 7EX

10. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of The Law Debenture Corporation p l c the company has taken advantage of the exemption contained within Financial Reporting Standard No 8 (Related Party Transactions) not to disclose related party transactions with other members of the group