

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

**Directors' report and financial  
statements**

**Registered number 2879716**

**30 June 2006**



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## Directors' report

The directors present their report and audited financial statements for the year ended 30 June 2006.

### Principal activities

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.

### Results and dividends

The company made a profit before taxation of £39,884 (2005: Profit £16,080) for the year ended 30 June 2006. 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 (appointed 1 March 2006)

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.

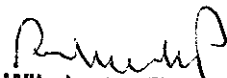
### Auditors

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.

### 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 nominal value of financial assets. The interest rates are fixed eliminating interest rate risks.

By order of the board



Wilmington Trust SP Services (London) Limited

Wilmington Trust SP Services (London) Limited  
Director

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

20/01/2007

## **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

### **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 2006 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. 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 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 2006 and of its profit 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*

*29 January* 2007

**Profit and loss account**  
*for the year ended 30 June 2006*

	<i>Note</i>	2006 £	2005 £
<b>Income from fixed asset investments</b>	4	6,153,157	6,440,471
<i>Interest payable and similar charged on bonds in issue</i>	5	(6,131,176)	(6,414,984)
		<hr/>	<hr/>
Administrative expenses		21,981	25,487
Other operating income		(24,867)	(22,464)
		42,410	12,500
		<hr/>	<hr/>
<b>Operating profit</b>		39,524	15,523
Other interest receivable and similar income	6	360	557
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	2	39,884	16,080
Tax charge on profit on ordinary activities	7	(6,871)	(2,592)
		<hr/>	<hr/>
<b>Retained profit for the year</b>		33,013	13,488
Retained profit brought forward		83,674	70,186
		<hr/>	<hr/>
<b>Retained profit carried forward</b>		116,687	83,674
		<hr/> <hr/>	<hr/> <hr/>

**Reconciliation of movements in shareholders' funds**  
*for the year ended 30 June 2006*

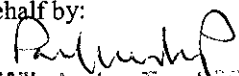
	2006 £	2005 £
<b>Profit for the financial year</b>	33,013	13,488
Opening shareholders' funds	96,174	82,686
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	129,187	96,174
	<hr/> <hr/>	<hr/> <hr/>

There were no gains or losses during the current or preceding year other than those passing through the profit and loss account. All 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 2006*

	Note	2006		2005	
		£	£	£	£
<b>Fixed assets</b>					
Investments	8		62,283,195		72,138,940
<b>Current assets</b>					
Debtors	9	621,159		717,566	
Cash at bank and in hand		133,189		82,496	
		<u>754,348</u>		<u>800,062</u>	
<b>Creditors: amounts falling due within one year</b>	10	<u>(624,531)</u>		<u>(703,217)</u>	
<b>Net current assets</b>			<u>129,817</u>		<u>96,845</u>
<b>Total assets less current liabilities</b>			<u>62,413,012</u>		<u>72,235,785</u>
<b>Creditors: amounts falling due after more than one year</b>	11		<u>(62,283,825)</u>		<u>(72,139,611)</u>
<b>Net assets</b>			<u>129,187</u>		<u>96,174</u>
<b>Capital and reserves</b>					
Called up share capital	13		12,500		12,500
Profit and loss account			116,687		83,674
<b>Shareholders' equity</b>			<u>129,187</u>		<u>96,174</u>

These financial statements were approved by the board of directors on 29/06/2007 and were signed on its behalf by:

  
 Wilmington Trust SP Services (London) Limited

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, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 20 'Share-based payments';
- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The adoption of these new standards has had no material effect on 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

	2006 £	2005 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	6,639	6,052
Other services	1,762	1,762
	<hr/>	<hr/>

**Notes** *(continued)*

**3 Remuneration of directors**

None of the directors received remuneration for their services to the company. Amounts were paid to Wilmington Trust SP Services (London) Limited, a director of the company, of £12,991 (2005: £10,668) during the year for professional services provided on normal commercial terms by the company.

**4 Income from fixed asset investments**

	2006	2005
	£	£
Income from fixed asset investments:		
Unlisted	6,124,444	6,413,050
Amortised discount	28,713	27,421
	6,153,157	6,440,471
	6,153,157	6,440,471

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

	2006	2005
	£	£
Interest paid on bonds in issue	6,102,408	6,387,500
Amortised discount	28,768	27,484
	6,131,176	6,414,984
	6,131,176	6,414,984

**6 Other interest receivable and similar income**

	2006	2005
	£	£
Bank interest received	360	557
	360	557
	360	557

**Notes (continued)**

**7 Taxation**

	2006	2005
	£	£
<i>UK corporation tax</i>		
Current tax on income for the year	6,871	-
	<hr/>	<hr/>
Total current tax	6,871	-
Deferred tax charge/(credit) (note 11)	-	2,592
	<hr/>	<hr/>
Tax on profit on ordinary activities	6,871	2,592
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax charge for the period is lower (2005: lower) than the standard rate of corporation tax in the UK (19%, 2005:19%). The differences are explained below.

	2006	2005
	£	£
<i>Current tax reconciliation</i>		
Profit before taxation	39,884	16,080
	<hr/>	<hr/>
Current tax charge at 19% (2005: 19%)	7,578	3,055
Losses brought forward utilised	-	(2,592)
Less marginal relief	(707)	(558)
Expenses disallowed	-	95
	<hr/>	<hr/>
Current tax charge	6,871	-
	<hr/> <hr/>	<hr/> <hr/>

**8 Fixed asset investments**

	£
<i>Cost</i>	
At beginning of year	71,948,800
Redemptions during year	(9,856,000)
	<hr/>
<b>At end of the year</b>	<b>62,092,800</b>
	<hr/> <hr/>
<i>Amortised discount</i>	
At the beginning of the year	190,140
Redemptions during year	(28,458)
Amortised discount for the year	28,713
	<hr/>
<b>At end of the year</b>	<b>190,395</b>
	<hr/> <hr/>
<i>Net book value</i>	
<b>At 30 June 2006</b>	<b>62,283,195</b>
	<hr/> <hr/>
At 30 June 2005	72,138,940
	<hr/> <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)**

**9 Debtors**

	2005 £	2004 £
Amounts owed by group undertakings	12,500	12,500
Prepayments and accrued income	608,659	705,066
	621,159	717,566
	621,159	717,566

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

	2006 £	2005 £
Corporation tax	6,871	-
Accruals and deferred income	617,660	703,217
	624,531	703,217
	624,531	703,217

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

	2006 £	2005 £
Bond in issue at cost at start of year	71,948,800	71,948,800
Redemptions during the year	(9,856,000)	-
Amortised discount	191,025	190,811
	62,283,825	72,139,611
	62,283,825	72,139,611
	62,283,825	72,139,611
	62,283,825	72,139,611

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. During the year, £10,000,000 of bonds were redeemed by the Company.

**12 Deferred taxation**

	2006 £	2005 £
At beginning of year	-	2,592
Charge for the year to the profit and loss account	-	(2,592)
	-	-
	-	-

**Notes** *(continued)*

**13 Called up share capital**

	2006 £	2005 £
<i>Authorised</i>		
Ordinary share of £1 each	50,000	50,000
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<i>Allotted, called up and fully paid as at 25p per share</i>		
50,000 Ordinary share of £1 each	12,500	12,500
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**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 declare ultimately for charitable purposes.

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