

L.G.S. Investments PLC

**Directors' report and financial
statements**

Registered number 2879716

30 June 2008

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08/01/2009

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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 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.

Financial risks

The company's financial receivables are loans from local authorities, its financial payables are issued bonds and the financial liabilities are matched by the same amount of financial assets. The interest rates are also 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 company made a loss before taxation of £1,867 (2007: Profit £33) for the year ended 30 June 2008. The directors do not recommend the payment of a dividend (2007: £nil).

Directors and directors' interests

The following directors held office during the year:

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

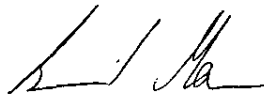
Disclosure of information to auditors

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 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



Sunil Masson
Authorised Signatory

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

Fifth Floor,
6 Broad Street Place,
London,
EC2M 7JH,
19/12 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 8BB
United Kingdom

Independent auditors' report to the members of L.G.S. Investments PLC

We have audited the financial statements of LGS Investments PLC for the year ended 30 June 2008 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 the directors and auditors

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 judgements 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 2008 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

22 December 2008

Profit and loss account
for the year ended 30 June 2008

	<i>Note</i>	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/>	<hr/>
Administrative expenses		22,009 (24,415)	22,003 (22,403)
		<hr/>	<hr/>
Operating Loss		(2,406)	(400)
Other interest receivable and similar income	7	539	433
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation	2	(1,867)	33
Tax on (loss)/profit on ordinary activities	8	10	(5,099)
		<hr/>	<hr/>
Loss for the year		(1,857)	(5,066)
Retained profit brought forward		111,621	116,687
		<hr/>	<hr/>
Retained profit carried forward		109,764	111,621
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2008

	2008 £	2007 £
Loss for the financial year	(1,857)	(5,066)
Opening shareholders' funds	124,121	129,187
	<hr/>	<hr/>
Closing shareholders' funds	122,264	124,121
	<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. Accordingly a statement of total recognised gains and losses has not been prepared.

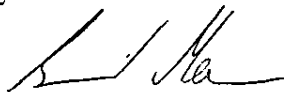
All of the results for the year arise from continuing operations for both the current and preceding year.

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.

Balance sheet
 at 30 June 2008

	<i>Note</i>	2008		2007	
		£	£	£	£
Fixed assets					
Investments	9		62,341,794		62,311,242
Current assets					
Debtors	10	619,031		619,026	
Cash at bank and in hand		120,870		128,589	
		<u>739,901</u>		<u>747,615</u>	
Creditors: amounts falling due within one year	11	<u>(616,919)</u>		<u>(622,817)</u>	
Net current assets			<u>122,982</u>		<u>124,798</u>
Total assets less current liabilities			<u>62,464,776</u>		<u>62,436,040</u>
Creditors: amounts falling due after more than one year	12		<u>(62,342,512)</u>		<u>(62,311,919)</u>
Net assets			<u>122,264</u>		<u>124,121</u>
Capital and reserves					
Called up share capital	13		12,500		12,500
Profit and loss account	14		109,764		111,621
Shareholders' equity			<u>122,264</u>		<u>124,121</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

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.

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.

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 Company's bank accounts.

Other payables

Other payables are stated at cost.

Related parties

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

Notes (continued)

2 (Loss)/profit on ordinary activities before taxation

	2008	2007
	£	£
<i>(Loss)/profit 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
	2,350	2,350

3 Remuneration of directors

Wilmington Trust SP Services (London) Limited, a director of the company, 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 company.

4 Staff numbers and costs

The company had no employees during the year (2007: nil)

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
	5,565,102	5,562,597

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
	5,543,093	5,540,594

7 Other interest receivable and similar income

	2008	2007
	£	£
Bank interest received	539	433
	539	433

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
	(10)	5,099
Tax on (loss)/profit on ordinary activities	(10)	5,099

The tax charge for the year is lower (2007: higher) than the standard rate of corporation tax in the UK (30%, 2007:30%). The differences are explained below.

	2007	2007
	£	£
<i>Current tax reconciliation</i>		
(Loss)/profit on ordinary activities before taxation	(1,867)	33
Current tax charge at 30% (2007: 30%)	(560)	6
Underprovision of prior year's charge	-	5,093
Trading losses carried forward	550	-
	(10)	5,099
Current tax charge	(10)	5,099

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 Company will generate sufficient future trading profits against which to offset the losses carried forward.

9 Fixed asset investments

	£
<i>Cost</i>	
At beginning of and end of the year	62,092,800
<i>Amortised discount</i>	
At the beginning of the year	218,442
Amortised discount for the year	30,552
	248,994
At end of the year	248,994
<i>Net book value</i>	
At 30 June 2008	62,341,794
At 30 June 2007	62,311,242

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 Trustee Company Limited as security for bonds issued by the Company.

Notes *(continued)*

10 Debtors

	2008 £	2007 £
Amounts owed by group undertakings	12,500	12,500
Prepayments and accrued income	606,526	606,526
Corporation tax	5	-
	619,031	619,026

11 Creditors: amounts falling due within one year

	2008 £	2007 £
Corporation tax	-	6
Accruals and deferred income	616,919	622,811
	616,919	622,817

12 Creditors: amounts falling due after more than one year

	2008 £	2007 £
Bond in issue at cost at start of year	62,092,800	62,092,800
Amortised discount	249,712	219,119
	62,342,512	62,311,919
Repayment analysis	2008	2007
	£	£
Amounts repayable, other than by instalments, after more than five years	62,342,512	62,311,919
	62,342,512	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.

Notes *(continued)*

13 Called up share capital

	2008	2007
	£	£
<i>Authorised</i>		
Ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
<i>Allotted, called up and paid at 25p per share</i>		
50,000 Ordinary shares of £1 each	12,500	12,500
	<u>12,500</u>	<u>12,500</u>

14 Statement of movements on profit and loss account

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

14 Related party transactions

The Company is an investment company controlled ultimately by Wilmington Trust SP Services (London) Limited, a member of its Board of Directors. 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.

15 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 the head of the largest and smallest group of companies into which the Company's financial results are consolidated.

L.G.S. Investments (Holdings) Limited is registered in England and Wales and prepares group accounts which can be obtained from Fifth Floor, 6 Broad Street Place, London, EC2M 7JH.

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 2008

	2008 £	2007 £
Registrar's fee	3,143	1,788
Audit fee	6,051	7,711
Professional Taxation fees	2,350	2,350
Wilmington Trust SP Services (London) Limited's fee	11,691	9,469
RETCO Trust fee	1,120	1,085
Bank Charges	60	-
	<hr/> 24,415 <hr/>	<hr/> 22,403 <hr/>

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