

L.G.S. Investments PLC

Annual report and financial statements

Registered number 2879716

30 June 2015

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Directors' report

The directors present their report and audited financial statements of L.G.S. Investments PLC for the year ended 30 June 2015.

Directors

The following directors held office during the year:

Wilmington Trust SP Services (London) Limited

Mr M H Filer

Mr D R Fisher (resigned 31 July 2014)

Miss M Clarke (appointed 31 July 2014)

Dividends

The directors do not recommend the payment of a dividend (2014: £nil).

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in the office.

By order of the board



Mr A Demosthenous

On behalf of:

Wilmington Trust SP Services (London) Limited

Director

Third Floor,
1 King's Arms Yard,
London,
EC2R 7AF,
20 November 2015

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, 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).

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 judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 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 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 company and to prevent and detect fraud and other irregularities.

Strategic report

General

Principal activities

The company is an investment company whose only activity is to hold local authority loan instruments and to service bonds issued to finance them. There are £63,000,000 8.75% secured bonds issued which are listed on the London Stock Exchange. The local authority loan instruments have been pledged to Bankers Trustee Company Limited as security for the bonds.

Review of the business

Results

The company made a loss before taxation of £13,278 (2014: £11,743) for the year ended 30 June 2015.

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 services fees have been set at a fixed amount within the corporate services agreement which enables the results of the Company 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 Company 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 company to meet its liabilities as they fall due.

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 2015 (2014: £nil).

By order of the board



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

Third Floor,
1 King's Arms Yard,
London,
EC2R 7AF,
20 November 2015

KPMG LLP

15 Canada Square
London
E14 5GL
United Kingdom

Independent auditor's report to the members of LGS Investments Plc

We have audited the financial statements of L.G.S. Investments Plc for the year ended 30 June 2015 set out on pages 6 to 13. 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 chapters 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 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 30 June 2015 and of its 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 and the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of LGS Investments Plc (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, 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.

Andrew Turner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

23 November

2015

Chartered Accountants

15 Canada Square
London
E14 5GL
United Kingdom

Profit and loss account
for the year ended 30 June 2015

	<i>Note</i>	2015 £	2014 £
Income from fixed asset investments	5	5,590,154	5,585,595
Interest payable and similar charged on bonds in issue	6	(5,568,051)	(5,563,513)
		<hr/>	<hr/>
Administrative expenses		22,103 (35,455)	22,082 (33,902)
		<hr/>	<hr/>
Operating loss		(13,352)	(11,820)
Other interest receivable and similar income	7	74	77
		<hr/>	<hr/>
Loss on ordinary activities before taxation	2	(13,278)	(11,743)
Tax on loss on ordinary activities	8	-	-
		<hr/>	<hr/>
Loss for the year		(13,278)	(11,743)
		<hr/> <hr/>	<hr/> <hr/>

The Notes on pages 8 to 13 form part of these Financial Statements.

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 to an unmodified cost basis.

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2014

	2015 £	2014 £
Loss for the financial year	(13,278)	(11,743)
Opening shareholders' funds	131,831	106,074
Share capital	-	37,500
	<hr/>	<hr/>
Closing shareholders' funds	118,553	131,831
	<hr/> <hr/>	<hr/> <hr/>

Balance sheet
at 30 June 2015

	<i>Note</i>	2015		2014	
		£	£	£	£
Fixed assets					
Investments	9		62,647,346		62,591,742
Current assets					
Debtors	10	656,882		657,892	
Cash at bank and in hand		88,128		98,481	
		<u>745,010</u>		<u>756,373</u>	
Creditors: amounts falling due within one year	11	<u>(625,765)</u>		<u>(623,797)</u>	
Net current assets			119,245		132,576
Total assets less current liabilities			<u>62,766,591</u>		<u>62,724,318</u>
Creditors: amounts falling due after more than one year	12		<u>(62,648,038)</u>		<u>(62,592,487)</u>
Net assets			<u>118,553</u>		<u>131,831</u>
Capital and reserves					
Called up share capital	13		50,000		50,000
Profit and loss account	14		68,553		81,831
Shareholders' funds			<u>118,553</u>		<u>131,831</u>

The Notes on pages 8 to 13 form part of the Financial Statements.

These financial statements of L.G.S. Investments PLC, company registration number 02879716, were approved by the board of directors on 20 November 2015 and were signed on its behalf by:



Mr A Demosthenous
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 consist of unlisted debt securities in the form of local authority loan instruments, all with an interest of 8.75%, redeemable on 22 May 2020 and are recorded at cost, plus or minus an accrued premium or discount on acquisition which is amortised to generate a constant yield to maturity.

The directors annually review the key assumptions regarding the value of the unlisted debt securities and evaluate the recoverability of the investment.

Debt securities issued

Listed debt securities consist of 8.75% secured bonds redeemable on 22 May 2020 and 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 result 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

Going concern

The financial statements have been prepared on a going concern basis which assumes the Company 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 Company to meet its liabilities as they fall due.

Notes *(continued)*

2 Loss on ordinary activities before taxation

	2015	2014
	£	£
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Auditor's remuneration:		
Audit of these financial statements	9,600	12,110
Amounts receivable by the auditor and their associates in respect of		
Other services relating to taxation	5,820	5,370
	5,820	5,370

3 Remuneration of directors

Wilmington Trust SP Services (London) Limited, a director of the Company, received £10,579 (2014: £10,764) 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 (2014: nil).

5 Income from fixed asset investments

	2015	2014
	£	£
Unlisted	5,534,550	5,534,550
Amortised discount	55,604	51,045
	5,590,154	5,585,595

6 Interest payable and similar charges on bonds in issue

	2015	2014
	£	£
Interest paid on bonds in issue	5,512,500	5,512,500
Amortised discount	55,551	51,013
	5,568,051	5,563,513

Notes (continued)

7 Other interest receivable and similar income

	2015 £	2014 £
Bank interest received	74	77
	74	77

8 Taxation

	2015 £	2014 £
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Underprovision of prior year's charge	-	-
	-	-
Tax on loss on ordinary activities	-	-

The tax charge for the year is higher (2014: higher) than the standard rate of corporation tax in the UK, 21.5% (2014: 22.5%). The differences are explained below.

	2015 £	2014 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before taxation	(13,278)	(11,743)
	(13,278)	(11,743)
Current tax charge at 21.5% (2014: 22.5%)	(2,855)	(2,642)
Trading losses carried forward	2,855	2,642
	-	-
Tax on loss on ordinary activities	-	-

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

Trading losses carried forward of £43,073 (2014: £29,795) give rise to a deferred tax asset of £8,615 (2014: £5,959). The deferred tax asset at 30th June 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date. 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.

Notes *(continued)*

9 Fixed asset investments

	£
<i>Cost</i>	
At beginning and end of the year	62,092,800
	<hr style="border-top: 1px solid black;"/>
<i>Amortised discount</i>	
At the beginning of the year	498,942
Amortised discount for the year	55,604
	<hr style="border-top: 1px solid black;"/>
At end of the year	554,546
	<hr style="border-top: 1px solid black;"/>
<i>Net book value</i>	
At 30 June 2015	62,647,346
	<hr style="border-top: 1px solid black;"/>
At 30 June 2014	62,591,742
	<hr style="border-top: 1px solid black;"/>

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.

10 Debtors

	2015	2014
	£	£
Amounts owed by group undertakings	12,500	12,500
Amounts owed by group undertaking – unpaid share capital	37,499	37,499
Prepayments and accrued income	606,883	607,893
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	656,882	657,892
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

11 Creditors: amounts falling due within one year

	2015	2014
	£	£
Accruals and deferred income	625,765	623,797
	<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>

Notes *(continued)*

12 Creditors: amounts falling due after more than one year

	2015 £	2014 £
Bond in issue at cost at start of year	62,092,800	62,092,800
Amortised discount	555,238	499,687
	<u>62,648,038</u>	<u>62,592,487</u>
	2015	2014
	£	£
Amounts repayable, other than by instalments, after more than five years	<u>62,648,038</u>	<u>62,592,487</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.

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

	2015 £	2014 £
<i>Allotted, called up and paid at 25p per share</i> 49,998 Ordinary shares of £1 each	49,998	49,998
<i>Allotted, called up and fully paid up</i> 2 Ordinary shares of £1 each	2	2
	<u>50,000</u>	<u>50,000</u>

Notes (continued)

14 Statement of movements on profit and loss account

	Profit and Loss account £
Balance at 1 July 2014	81,831
Loss for the financial year	(13,278)
	<hr/>
Balance at 30 June 2015	68,553
	<hr/> <hr/>

15 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 (2014: £9,000).

Included within the profit and loss account are corporate services fees plus expenses charged by Wilmington Trust SP Services (London) Limited totalling £10,579 (2014: £10,764).

At 30 June 2015, £6,300 (2014: £6,521) relating to corporate services fees was outstanding and is included as accruals within Creditors: amounts falling due within one year.

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

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.