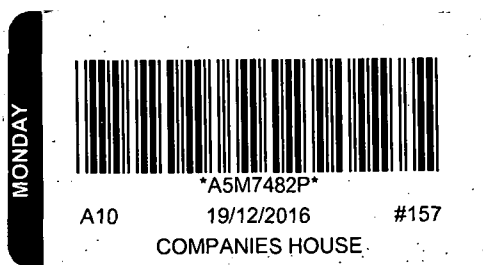


**L.G.S. Investments PLC**

**Annual report and financial statements**

**Registered number 2879716**

**30 June 2016**



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## Strategic report

### 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

The results for the year and the Company's financial position at the end of the year are shown in the attached financial statements. The total comprehensive loss after taxation for the year was £8,760 (2015: £13,278). The company had net assets of £110,408 as at 30 June 2016 (2015: £119,245).

### Principal risks and uncertainties

#### 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 2016 (2015: £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  
14 December 2016

## Directors' report

The directors present their report and audited financial statements of L.G.S. Investments PLC for the year ended 30 June 2016.

### Directors

The following directors held office during the year:

Wilmington Trust SP Services (London) Limited  
Mr M H Filer  
Mrs M Clarke-Whelan

### Dividends

The directors do not recommend the payment of a dividend (2015: *£nil*). None of the Directors has any beneficial interest in the ordinary share capital of the Company. None of the Directors had any interest either during or at the end of the year in any material contract or arrangement with the Company.

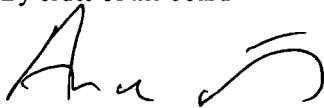
### Disclosure of information to auditor

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,  
14 December 2016

## **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), including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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 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.

**KPMG LLP**

15 Canada Square  
London  
E14 5GL  
United Kingdom

**Independent auditor's report to the members of L.G.S. Investments Plc**

We have audited the financial statements of L.G.S. Investments Plc for the year ended 30 June 2016 set out on pages 7 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, 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 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, 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](http://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 2016 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

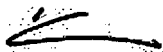
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

**Independent auditor's report to the members of L.G.S. 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.



**Peter Hine (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

15 Canada Square  
E14 5GL

16 December 2016

**Profit and loss account and other comprehensive income**  
*for the year ended 30 June 2016*

	<i>Note</i>	2016 £	2015 £
Income from fixed asset investments	5	5,595,120	5,590,154
Interest payable and similar charged on bonds in issue	6	(5,572,993)	(5,568,051)
		<hr/>	<hr/>
Administrative expenses		22,127 (30,962)	22,103 (35,455)
		<hr/>	<hr/>
<b>Operating loss</b>		<b>(8,835)</b>	<b>(13,352)</b>
Other interest receivable and similar income	7	75	74
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	<b>2</b>	<b>(8,760)</b>	<b>(13,278)</b>
Tax on loss on ordinary activities	8	-	-
		<hr/>	<hr/>
<b>Loss for the financial year</b>		<b>(8,760)</b>	<b>(13,278)</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Total comprehensive loss for the year</b>		<b>(8,760)</b>	<b>(13,278)</b>
		<hr/> <hr/>	<hr/> <hr/>

The Notes on pages 9 to 16 form part of these Financial Statements.



**Statement of changes in equity**  
*for the year ended 30 June 2016*

	Called up share capital	Retained earnings	Total
	£	£	£
<b>Balance as at 1 July 2014</b>	50,000	81,831	131,831
Loss for the year ended 2015	-	(13,278)	(13,278)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(13,278)	(13,278)
<b>Balance as at 30 June 2015</b>	<u>50,000</u>	<u>68,553</u>	<u>118,553</u>
<b>Balance as at 1 July 2015</b>	50,000	68,553	118,553
Loss for the year ended 2016	-	(8,760)	(8,760)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(8,760)	(8,760)
<b>Balance as at 30 June 2016</b>	<u>50,000</u>	<u>59,793</u>	<u>109,793</u>

The Notes on pages 9 to 16 form part of these Financial Statements.

**Balance sheet**  
*at 30 June 2016*

	<i>Note</i>	2015		2014	
		£	£	£	£
<b>Fixed assets</b>					
Investments	9		62,707,916		62,647,346
<b>Current assets</b>					
Debtors	10	657,845		656,882	
Cash at bank and in hand		92,534		88,128	
		<u>750,379</u>		<u>745,010</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(639,971)</u>		<u>(625,765)</u>	
<b>Net current assets</b>			110,408		119,245
<b>Total assets less current liabilities</b>			<u>62,818,324</u>		<u>62,766,591</u>
<b>Creditors: amounts falling due after more than one year</b>	12		<u>(62,708,531)</u>		<u>(62,648,038)</u>
<b>Net assets</b>			<u>109,793</u>		<u>118,553</u>
<b>Capital and reserves</b>					
Called up share capital	13		50,000		50,000
Profit and loss account	14		59,793		68,553
<b>Shareholders' funds</b>			<u>109,793</u>		<u>118,553</u>

The Notes on pages 9 to 16 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 14 December 2016 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

L.G.S Investments PLC is a limited company incorporated and domiciled in the United Kingdom with registered number 02789716 and has its registered office at 1 King's Arms Yard, London, EC2R 7AF.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### *Statement of compliance*

The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 30 June 2016. The Company's first transition period is the year ending 30 June 2016. In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

#### *Basis of preparation*

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The functional currency of these financial statements is sterling. The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company's parent undertaking, L.G.S. Investments (Holdings) Limited includes the Company in its consolidated financial statements. These consolidated financial statements are available to the public. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the Cash Flow Statement and related notes.

#### *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*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

## **Notes (continued)**

### ***Taxation (continued)***

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, [associates, branch, joint ventures] to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

### ***Cash and cash equivalents***

Cash and cash equivalents comprise deposits in the Company's bank accounts.

### ***Accounting judgements and estimates***

In preparing its financial statements in conformity with FRS 102, the Company makes estimates concerning a variety of matters. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

### ***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**

	2016	2015
	£	£
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Auditor's remuneration:		
Audit of these financial statements	9,600	9,600
Amounts receivable by the auditor and their associates in respect of		
Other services relating to taxation	4,740	5,820
	4,740	5,820

**3 Remuneration of directors**

Wilmington Trust SP Services (London) Limited, a director of the Company, received £10,935 (2015: £10,579) 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 (2015: nil).

**5 Income from fixed asset investments**

	2016	2015
	£	£
Unlisted	5,534,550	5,534,550
Amortised discount	60,570	55,604
	5,595,120	5,590,154

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

	2016	2015
	£	£
Interest paid on bonds in issue	5,512,500	5,512,500
Amortised discount	60,493	55,551
	5,572,993	5,568,051

**Notes (continued)**

**7 Other interest receivable and similar income**

	2016 £	2015 £
Bank interest received	75	74

**8 Taxation**

	2016 £	2015 £
<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 (2015: higher) than the standard rate of corporation tax in the UK, 20% (2015: 21.5%). The differences are explained below.

	2016 £	2015 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before taxation	(8,760)	(13,278)
Current tax charge at 20% (2015: 21.5%)	(1,752)	(2,855)
Trading losses carried forward	1,752	2,855
Tax on loss on ordinary activities	-	-

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and to 20% (effective 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly.

Trading losses carried forward of £34,313 (2015: £43,073) give rise to a deferred tax asset of £6,176 (2015: £8,615). The deferred tax asset at 30<sup>th</sup> June 2016 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.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 30 June 2016 accordingly. As at 30 June 2016, there are no tax-related contingent assets or contingent liabilities in accordance with FRS 102 Section 21.

**Notes (continued)**

**9 Fixed asset investments**

	£
<b>Cost</b>	
At beginning and end of the year	62,092,800
	<u>                    </u>
<b>Amortised discount</b>	
At the beginning of the year	554,546
Amortised discount for the year	60,570
	<u>                    </u>
<b>At end of the year</b>	<b>615,116</b>
	<u>                    </u>
<b>Net book value</b>	
At 30 June 2016	62,707,916
	<u>                    </u>
At 30 June 2015	62,647,346
	<u>                    </u>

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**

	2016 £	2015 £
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	607,846	606,883
	<u>                    </u>	<u>                    </u>
	<b>657,845</b>	<b>656,882</b>
	<u>                    </u>	<u>                    </u>

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

	2016 £	2015 £
Accruals and deferred income	639,971	625,765
	<u>                    </u>	<u>                    </u>

**Notes (continued)**

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

	2016 £	2015 £
Bond in issue at cost at start of year	62,092,800	62,092,800
Amortised discount	615,731	555,238
	<u>62,708,531</u>	<u>62,648,038</u>
	<u><u>62,708,531</u></u>	<u><u>62,648,038</u></u>
<b>Repayment analysis</b>	<b>2016</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Amounts repayable, other than by instalments, after more than five years	<u>62,708,531</u>	<u>62,648,038</u>
	<u><u>62,708,531</u></u>	<u><u>62,648,038</u></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**

	2016 £	2015 £
<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>
	<u><u>50,000</u></u>	<u><u>50,000</u></u>



**Notes** *(continued)*

**14 Financial Instruments**

The Company's financial instruments comprise local authority loans, bonds, cash balances, debtors and creditors, which arise directly from its operations. It is, and has been throughout the year, the Company's policy that no trading in financial instruments is undertaken.

*Categories of financial instruments*

	2016	2015
	£	£
<b>Financial assets measured at amortised cost</b>		
Loans and receivables including cash at bank	<u>62,800,449</u>	<u>62,735,473</u>
<b>Financial liabilities measured at amortised cost</b>		
Loan notes	<u>62,708,531</u>	<u>62,648,038</u>

The Board reviews and agrees policies for managing risks which are noted below.

**Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement. The capital held is shown on the statements of financial position under equity.

**Liquidity risk**

The Company's policy is to maintain a strong liquidity position and to manage the liquidity profile of its assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations are met when due.

**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 (2015: £9,000).

Included within the profit and loss account are corporate services fees plus expenses charged by Wilmington Trust SP Services (London) Limited totalling £10,935 (2015: £10,579).

At 30 June 2016, £6,356 (2015: £6,300) 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.