

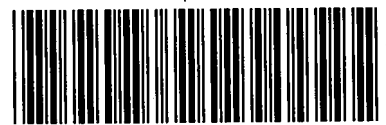
**L.G.S. Investments (Holdings) Limited**

**Annual report and consolidated  
financial statements**

Registered number 2873071

30 June 2016

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## Strategic report

The directors present their strategic report of L.G.S. Investments (Holdings) Limited for the year ended 30 June 2016.

### Principal activities

The company holds an investment in L.G.S. Investments PLC. L.G.S. Investments PLC is an investment company whose only activity is to hold local authority loan instruments and to service bonds 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.

### Principal risks and uncertainties

#### Financial risks

The financial risks of the subsidiary Company were addressed by the directors when the company set up its financial agreements. The subsidiary company's financial receivables are loans from local authorities and its financial payables are issued bonds. The financial liabilities are matched by the same amount of financial assets. The interest rates are 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.

### 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 Group made a loss of £8,760 after taxation (2015: £13,278) during the year. The Group had net assets of £60,409 as at 30 June 2016 (2015: £69,246).

### Policy and practice on payment of creditors

It is the Group's policy that payments made to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers. The Group owed no amounts to trade creditors at 30 June 2016 (2015: £nil).

### Going concern

The financial statements have been prepared on a going concern basis which assumes the Group will continue in operations existence for the foreseeable future.

The directors have reviewed the future forecasts and have confirmed that adequate financing is available to enable the Group to meet its liabilities as they fall due.

By order of the board



**Mr A Demosthenous**  
**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 (Holdings) Limited for the year ended 30 June 2016 with comparative information for the year ended 30 June 2015.

### Directors

The following directors held office during the period:

Wilmington Trust SP Services (London) Limited

Mr M H Filer

Mrs M Clarke-Whelan

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.

### Dividends

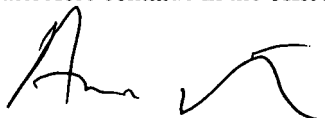
The directors do not recommend the payment of a dividend (2015: £nil).

### 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 Group'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 Group'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.



**Mr A Demosthenous**  
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 ANNUAL REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Directors' Report, the Strategic 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 group and parent company 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* ("FRS 102").

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 group and parent company and of their profit or loss for that period.

In preparing each of the group and parent Company 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;
- 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 group 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 (Holdings) Limited**

We have audited the financial statements of L.G.S. Investments (Holdings) Limited for the year ended 30 June 2016 set out on pages 6 to 19. 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 set out on page 3, 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 group's and the parent company's affairs as at 30 June 2016 and of the group's 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:

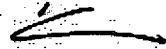
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

**Independent Auditor's report to the members of L.G.S. Investments (Holdings) Limited**  
*(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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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  
London E14 5GL

16 December 2016

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

	<i>Note</i>	<b>2016</b> £	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>3</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/>
<b>Total comprehensive loss for the year</b>		<b>(8,760)</b>	<b>(13,278)</b>
		<hr/> <hr/>	<hr/> <hr/>

The Notes on pages 11 to 19 form part of these financial statements.



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

<b>Group</b>	<b>Called up Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance as at 1 July 2014</b>	1	81,831	81,832
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>1</u>	<u>68,553</u>	<u>68,554</u>

<b>Balance as at 1 July 2015</b>	1	68,553	68,554
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>1</u>	<u>59,793</u>	<u>59,794</u>

<b>Company</b>	<b>Called up Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance as at 1 July 2014</b>	1	-	1
Loss for the year ended 2015	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
<b>Balance as at 30 June 2015</b>	<u>1</u>	<u>1</u>	<u>1</u>

<b>Balance as at 1 July 2015</b>	1	-	1
Loss for the year ended 2016	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
<b>Balance as at 30 June 2015</b>	<u>1</u>	<u>-</u>	<u>1</u>

The Notes on pages 11 to 19 form part of these financial statements.

**Consolidated balance sheet**  
*at 30 June 2016*

	<i>Note</i>	<b>2016</b>		<b>2015</b>	
		£	£	£	£
<b>Fixed assets</b>					
Investments	<i>9</i>		62,707,916		62,647,346
<b>Current assets</b>					
Debtors	<i>10</i>	607,847		606,884	
Cash at bank and in hand		92,533		88,127	
		<u>700,380</u>		<u>695,011</u>	
<b>Creditors: amounts falling due within one year</b>	<i>11</i>	<u>(639,971)</u>		<u>(625,765)</u>	
<b>Net current assets</b>			<u>60,409</u>		<u>69,246</u>
<b>Total assets less current liabilities</b>			<u>62,768,325</u>		<u>62,716,592</u>
<b>Creditors: amounts falling due after more than one year</b>	<i>12</i>		<u>(62,708,531)</u>		<u>(62,648,038)</u>
<b>Net assets</b>			<u>59,794</u>		<u>68,554</u>
<b>Capital and reserves</b>					
Called up share capital	<i>13</i>		1		1
Profit and loss account	<i>14</i>		59,793		68,553
<b>Shareholders' funds</b>			<u>59,794</u>		<u>68,554</u>

The Notes on pages 11 to 19 form part of these Financial Statements.

These financial statements of L.G.S. Investments (Holdings) Limited, company registration number 02873071, 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*

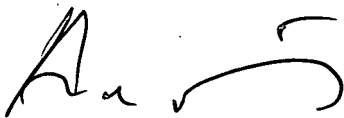
**Company balance sheet**  
 at 30 June 2016

	Note	2016	2015
		£	£
<b>Fixed assets</b>			
Investments	9	50,000	50,000
<b>Current assets</b>			
Debtors	10	1	1
		<u>1</u>	<u>1</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(50,000)</u>	<u>(50,000)</u>
<b>Net current liabilities</b>		<u>(49,999)</u>	<u>(49,999)</u>
<b>Total assets less current liabilities</b>		<u>1</u>	<u>1</u>
<b>Net assets</b>		<u>1</u>	<u>1</u>
<b>Capital and reserves</b>			
Called up share capital	13	1	1
<b>Shareholders' equity</b>		<u>1</u>	<u>1</u>

The Notes on pages 11 to 19 form part of these Financial Statements.

There were no movements in the Company shareholders' funds during the year.

These financial statements of L.G.S. Investments (Holdings) Limited, company registration number 02873071, 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

**Consolidated cash flow statement**  
*for the year ended 30 June 2016*

	2016	2015
	£	£
<b>Cash flows from operating activities</b>		
Loss on ordinary activities after tax	(8,760)	(13,278)
<b>Adjustments to reconcile profit to net cash flows from operating activities:</b>		
Amortisation of discount on debt securities issued	60,493	55,551
Amortisation of discount of debt securities purchased	(60,570)	(55,604)
(Increase)/decrease in debtors	(963)	1,009
Increase in creditors	14,206	1,968
	<hr/>	<hr/>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>4,406</b>	<b>(10,354)</b>
	<hr/>	<hr/>
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>4,406</b>	<b>(10,354)</b>
Cash and cash equivalents at 01 July	88,127	98,481
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<b>92,533</b>	<b>88,127</b>
	<hr/> <hr/>	<hr/> <hr/>

## Notes

*(forming part of the financial statements)*

### 1 Significant accounting policies

L.G.S. Investments (Holdings) Limited is a limited company incorporated and domiciled in the United Kingdom with registered number 02873071 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 parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included.

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 June 2016. The acquisition method of accounting has been adopted. Under this method, the results of the subsidiary are included in the consolidated profit and loss account for the year.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

#### ***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.

**Notes (continued)**

***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.

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 Group'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 Group 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 Group to meet its liabilities as they fall due.

**2 Staff numbers and costs**

The company and its subsidiary had no employees during the year (2015: nil).

**3 Loss on ordinary activities before taxation**

	2016	2015
	£	£
<b><i>Loss on ordinary activities before taxation is stated after charging:</i></b>		
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
	9,340	15,420

**Notes** *(continued)*

**4 Remuneration of directors**

Wilmington Trust SP Services (London) Limited, a director of the Company and its subsidiary, 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 group

**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
	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
	5,572,993	5,568,051

**7 Other interest receivable and similar income**

	2016 £	2015 £
Bank interest received	75	74
	75	74
	75	74

Notes (continued)

8 Taxation

	2016	2015
	£	£
<i>UK corporation tax</i>		
Current tax on income for the year	-	-
Underprovision of prior year's charge	-	-
	<hr/>	<hr/>
Tax on loss on ordinary activities	-	-
	<hr/> <hr/>	<hr/> <hr/>

The tax charge for the period 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)
	<hr/>	<hr/>
Current tax charge at 20% (2015: 21.5%)	(1,752)	(2,855)
Trading losses carried forward	1,752	2,855
	<hr/>	<hr/>
Current tax charge	-	-
	<hr/> <hr/>	<hr/> <hr/>

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.



9 **Fixed asset investments**

<b>Group</b>	<b>£</b>
<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	554,546
Amortised discount for the year	60,570
	<hr style="border-top: 1px solid black;"/>
<b>At end of the year</b>	<b>615,116</b>
	<hr style="border-top: 1px solid black;"/>
<i>Net book value</i>	
<b>At 30 June 2016</b>	<b>62,707,916</b>
	<hr style="border-top: 1px solid black;"/>
At 30 June 2015	<u>62,647,346</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.

**Company**

	<b>£</b>
<i>Cost</i>	
At beginning and end of the year	50,000
	<hr style="border-top: 1px solid black;"/>

The Company's fixed asset investment consists of the entire share capital of its wholly owned subsidiary, L.G.S. Investments PLC.

	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Percentage of shares held</b>	<b>Class of shares held</b>
L.G.S. Investments PLC	England and Wales	Investment company	100%	£1 Ordinary

**Notes (continued)**

**10 Debtors**

<b>Group</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Prepayments and accrued income	607,846	606,883
Called up share capital not paid	<u>1</u>	<u>1</u>
	<b>607,847</b>	<b>606,884</b>
	<u><u>          </u></u>	<u><u>          </u></u>

All debtors are due within one year.

<b>Company</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Called up share capital not paid	<u>1</u>	<u>1</u>
	<b>1</b>	<b>1</b>
	<u><u>          </u></u>	<u><u>          </u></u>

All debtors are due within one year.

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

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

<b>Company</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Amounts owed to subsidiary undertaking	50,000	50,000
	<u><u>          </u></u>	<u><u>          </u></u>

**Notes (continued)**

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

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

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**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<i>Allotted, called up and not paid</i>		
1 Ordinary share of £1 each	1	1
	<hr/> <hr/>	<hr/> <hr/>

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
Financial assets	£	£
Loans and receivables including cash at bank	<u>62,800,449</u>	<u>62,735,473</u>
Financial liabilities		
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.

**Notes** *(continued)*

**15 Related party transactions**

The Group is controlled by Wilmington Trust SP Services (London) Limited, a director of the Company and its subsidiary. 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 Groups profit and loss account are corporate services fees plus expenses and value added tax charged by Wilmington Trust SP Services (London) Limited totalling £10,935 *(2015: £10,579)*.

At 30 June 2016, an amount of £6,356 *(2015: £6,300)* relating to corporate services fees were outstanding and are included within Group Creditors: amounts falling due within one year.

**16 Ultimate parent undertaking**

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 results of the L.G.S. Investments (Holdings) Group Limited are not consolidated into the financial statements of any larger groups.

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