

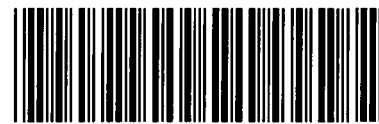
**Company Registration Number: 02879716**

**L.G.S. INVESTMENTS PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**30 JUNE 2018**

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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 £5,718 (2017: £5,460 loss). The company had net current assets of £108,586 as at 30 June 2018 (2017: £104,842).

### 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

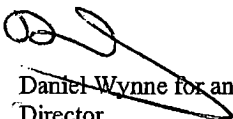
The financial statements have been prepared on a going concern basis which assumes the Company will continue in operational existence for the foreseeable future.

The investments are due to mature on 22/05/2020, more than twelve months from the date of signing the financial statements and the bonds will be fully repaid at the same time. The directors have therefore 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 2018 (2017: £nil).

By order of the board



Daniel Wynne for and on behalf of Wilmington Trust SP Services (London) Limited

Director

Date: 18 December 2018

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

## Directors Report

The directors present their report and audited financial statements of L.G.S. Investments PLC for the year ended 30 June 2018.

### Directors

The following directors held office during the year:  
Wilmington Trust SP Services (London) Limited  
Mrs M Clarke-Whelan (resigned 01 October 2018)  
Mr D J Wynne  
Mr Robert Sutton (appointed 01 October 2018)

### Dividends

The directors do not recommend the payment of a dividend (2017: £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.

### Corporate governance statement

The Directors are responsible for internal controls at the Company and for reviewing their effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatements, errors, losses or fraud. The procedures enable the Company to comply with the regulatory obligations.

### 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



Daniel Wynne for and on behalf of Wilmington Trust SP Services (London) Limited  
Director  
Date: 18 December 2018

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

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Annual 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 FRS 102 *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 its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements];
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, and Corporate Governance Statement that complies with that law and those regulations.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF L.G.S. INVESTMENTS PLC

### 1 Our opinion is unmodified

We have audited the financial statements of L.G.S. Investments PLC ("the Company") for the year ended 30 June 2018 which comprise the Statement of profit and loss account, Statement of financial position and Statement of changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 30 June 2018 and of the its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 06 February 1995. The period of total uninterrupted engagement is for the 25 financial years ended 30 June 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

### 2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Risk	Procedure type
Valuation of investment	Our procedures included: Agreeing the outstanding loan nominal value to third party bank letters. We assessed the financial position of investees by inspecting the latest publically available financial statements. Within the financial statements we considered: investees comprehensive income, cash balances, net assets and cash flows, alongside statements of going concern and liquidity. As a result of our procedures we found the valuation of investments to be acceptable.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF L.G.S. INVESTMENTS PLC (continued)

### 3 Our application of materiality and an overview of the scope of our audit

Materiality for the Company financial statements as a whole was set at £ 620,000 (2017: £ 635,000), determined with reference to a benchmark of total assets (of which it represents 0.975% (2017: 1%)). We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £ 31,000 (2017: £ 31,745), in addition to other identified misstatements that warranted reporting on qualitative grounds.

### 4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### 5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

#### *Strategic report and directors' report*

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### 6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, 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.

We have nothing to report in these respects.

### 7 Respective responsibilities

#### *Directors' responsibilities*

As explained more fully in their statement set out on page 3, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF L.G.S. INVESTMENTS PLC (continued)

### *Auditor's responsibilities*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### *Irregularities – ability to detect*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and other management (as required by auditing standards).

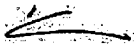
We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation). We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

### **8 The purpose of our audit work and to whom we owe our responsibilities**

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.



**Peter Hine (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
E14 5GL

18 December 2018



**Statement of profit and loss account**  
*For the year ended 30 June 2018*

	<i>Note</i>	Year ended 30 June 2018 £	Year ended 30 June 2017 £
Income from fixed asset investments	5	5,606,423	5,600,530
Interest payable and similar charged on bonds in issue	6	<u>(5,584,235)</u>	<u>(5,578,374)</u>
		22,188	22,156
Administrative expenses		<u>(27,884)</u>	<u>(27,669)</u>
<b>Operating loss</b>		<b>(5,696)</b>	<b>(5,513)</b>
Other interest receivable and similar income	7	-	53
Other interest payable and similar expense	8	<u>(22)</u>	<u>-</u>
<b>Profit/(Loss) before taxation</b>	2	<b>(5,718)</b>	<b>(5,460)</b>
Tax	9	-	-
<b>Profit/(Loss) for the financial year</b>		<u><b>(5,718)</b></u>	<u><b>(5,460)</b></u>
<b>Total comprehensive loss for the year</b>		<u><b>(5,718)</b></u>	<u><b>(5,460)</b></u>

All amounts relate to continuing activities. There are no other recognised gains or losses other than the profit for the year as presented above. Accordingly a separate statement of total comprehensive income has not been presented.

**Statement of financial position**  
*For the year ended 30 June 2018*

	<i>Note</i>	<b>Year ended 30 June 2018</b>	<b>Year ended 30 June 2017</b>
		£	£
<b>Fixed assets</b>			
Investments	10	62,845,768	62,773,896
<b>Current assets</b>			
Debtors	11	656,525	656,969
Cash at bank and in hand		80,852	77,441
		<u>737,377</u>	<u>734,410</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(638,391)</u>	<u>(629,568)</u>
<b>Net current assets</b>		98,986	104,842
<b>Total assets less current liabilities</b>		<u>62,944,754</u>	<u>62,878,738</u>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(62,846,139)</u>	<u>(62,774,405)</u>
<b>Net assets</b>		<u>98,615</u>	<u>104,333</u>
<b>Capital and reserves</b>			
Called up share capital	14	50,000	50,000
Profit and loss account		48,615	54,333
<b>Shareholders' funds</b>		<u>98,615</u>	<u>104,333</u>

These financial statements were approved by the Board of Directors on 18 December 2018 and are signed on their behalf by:



Daniel Wynne  
Director

Company registered number: 02879716

The Notes on pages 10 to 17 form part of these Financial Statements.

**Statement of changes in equity**  
*For the year ended 30 June 2018*

	Called up share capital £	Retained earnings £	Total £
<b>Balance as at 1 July 2016</b>	50,000	59,793	109,793
Loss for the year ended 2017	-	(5,460)	(5,460)
Total comprehensive loss for the year	-	<u>(5,460)</u>	<u>(5,460)</u>
<b>Balance as at 30 June 2017</b>	<u>50,000</u>	<u>54,333</u>	<u>104,333</u>
<b>Balance as at 1 July 2017</b>	50,000	54,333	104,333
Loss for the year ended 2018	-	(5,718)	(5,718)
Total comprehensive loss for the year	-	<u>(5,718)</u>	<u>(5,718)</u>
<b>Balance as at 30 June 2018</b>	<u>50,000</u>	<u>48,615</u>	<u>98,615</u>

The Notes on pages 10 to 17 form part of these Financial Statements.

**Note to the financial statements**  
*(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 02879716 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.

***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 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)

**1. Significant accounting policies** (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 of 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.

**2. Loss on ordinary activities before taxation**

	2018	2017
<i>Loss on ordinary activities before taxation is stated after charging:</i>	£	£
Auditor's remuneration:		
Audit of these financial statements	9,766	9,600

**3. Remuneration of directors**

Wilmington Trust SP Services (London) Limited, a director of the Company, received £10,854 (2017: £10,792) in the year for professional services provided on normal commercial terms. None of the other directors received remuneration for their services to the Company.

**Notes (continued)**

<b>4. Staff numbers and costs</b>	The Company had no employees during the year (2017: nil).	
<b>5. Income from fixed asset investments</b>	<b>2018</b>	<b>2017</b>
	£	£
Unlisted	5,534,550	5,534,550
Amortised discount	71,873	65,980
	<u>5,606,423</u>	<u>5,600,530</u>
<b>6. Interest payable and similar charges on bonds in issue</b>	<b>2018</b>	<b>2017</b>
	£	£
Interest paid on bonds in issue	5,512,500	5,512,500
Amortised discount	71,735	65,874
	<u>5,584,235</u>	<u>5,578,374</u>
<b>7. Other interest receivable and similar income</b>	<b>2018</b>	<b>2017</b>
	£	£
Bank interest received	-	53
<b>8. Other interest payable and similar expense</b>	<b>2018</b>	<b>2017</b>
	£	£
Bank interest paid	(22)	-

2018 bank interest paid due to two interest adjustments during the year.

Notes (continued)

9. Taxation

	2018	2017
	£	£
<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/>
	2018	2017
	£	£
<i>Current tax reconciliation</i>		
Loss on ordinary activities before taxation	(5,696)	(5,460)
	<hr/>	<hr/>
Current tax charge at 19% (2017: 20%)	(1,082)	(1,092)
Trading losses carried forward	1,082	1,092
	<hr/>	<hr/>
Tax on loss on ordinary activities	-	-
	<hr/> <hr/>	<hr/> <hr/>

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate was substantively enacted on 6 September 2016 to further reduce the tax rate to 17% (to be effective from 1 April 2020). This will reduce the company's future current tax charge accordingly.

Trading losses carried forward of £23,157 (2017: £28,853) give rise to a deferred tax asset of £4,400 (2017: £5,771). The deferred tax asset at 30<sup>th</sup> June 2018 has been calculated based on the rate of 19% 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) will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 30 June 2018 accordingly. As at 30 June 2018, there are no tax-related contingent assets or contingent liabilities in accordance with FRS 102 Section 21.

**Notes (continued)**

**10. Fixed asset investments**

	<b>£</b>
<i>Cost</i>	
At beginning and end of the year	62,092,800
	<hr/>
<i>Amortised discount</i>	
At the beginning of the year	681,096
Amortised discount for the year	71,872
	<hr/>
<b>At end of the year</b>	<b>752,968</b>
	<hr/>
<i>Net book value</i>	
At 30 June 2018	62,845,768
	<hr/>
At 30 June 2017	62,773,896
	<hr/>

The fixed asset investment comprises unlisted debt securities in the form of local authority loan instruments, all with an interest rate of 8.785%, inclusive of 0.035% management charges 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.

**11. Debtors**

	2018	2017
	£	£
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	606,526	606,970
	<hr/>	<hr/>
	<b>656,525</b>	<b>656,969</b>
	<hr/>	<hr/>

**12. Creditors: amounts falling due within one year**

	2018	2017
	£	£
Accruals and deferred income	638,391	629,568
	<hr/>	<hr/>



**Notes (continued)**

**13. Creditors: amounts falling due after more than one year**

	2018	2017
	£	£
Bond in issue at cost at start of year	62,092,800	62,092,800
Amortised discount	753,339	681,605
	62,846,139	62,774,405
	62,846,139	62,774,405

	2018	2017
	£	£
<b>Repayment analysis</b>		
	£	£
Amounts repayable, other than by instalments, between one and five years	62,846,139	62,774,405
	62,846,139	62,774,405
	62,846,139	62,774,405

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.

**14. Called up share capital**

	2018	2017
	£	£
<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
	50,000	50,000
	50,000	50,000

**Notes** (continued)

**15. 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*

	2018	2017
	£	£
<b>Financial assets measured at amortised cost</b>		
Loans and receivables including cash at bank	<u>62,926,620</u>	<u>62,851,337</u>
<b>Financial liabilities measured at amortised cost</b>		
Loan notes	<u>62,846,139</u>	<u>62,774,405</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.

**16 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 (2017: £9,000).

Included within the profit and loss account are corporate services fees plus expenses charged by Wilmington Trust SP Services (London) Limited totalling £10,854 (2017: £10,792).

At 30 June 2018, £6,300 (2017: £6,300) relating to corporate services fees was outstanding and is included as accruals within Creditors: amounts falling due within one year.

**Notes** *(continued)*

**17 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, Third Floor, 1 King's Arms Yard, London, EC2R 7AF, as trustee.

**18 Subsequent events**

There have been no significant subsequent events