

Registered number: 02873031

**L.A.B INVESTMENT (HOLDINGS) LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2017**

WEDNESDAY



LD6

\*L70QB1WY\*

28/02/2018

COMPANIES HOUSE

#183

# **L.A.B INVESTMENTS (HOLDINGS) LIMITED**

## **COMPANY INFORMATION**

<b>Directors</b>	Link Trust Corporate Limited Link Corporate Services Limited Carl Steven Baldry
<b>Company secretary</b>	Link Trust Corporate Limited
<b>Registered number</b>	02873031
<b>Registered office</b>	6th Floor 65 Gresham Street London EC2V 7NQ

## **L.A.B INVESTMENTS (HOLDINGS) LIMITED**

### **CONTENTS**

	<b>Page</b>
<b>Group Strategic Report</b>	<b>1 - 2</b>
<b>Directors' Report</b>	<b>3 - 4</b>
<b>Statement of Directors' responsibilities statement</b>	<b>5</b>
<b>Independent auditor's report to the members of L.A.B Investments (Holdings) Limited</b>	<b>6 - 8</b>
<b>Consolidated profit and loss account and other comprehensive income</b>	<b>9</b>
<b>Consolidated balance sheet</b>	<b>10</b>
<b>Consolidated statement of changes in equity</b>	<b>11</b>
<b>Company statement of changes in equity</b>	<b>12</b>
<b>Consolidated cash flow statement</b>	<b>13</b>
<b>Notes to the financial statements</b>	<b>14 - 25</b>

## **L.A.B INVESTMENTS (HOLDINGS) LIMITED**

### **GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2017**

#### **Business review**

L.A.B. Investments (Holdings) Limited (the "Company") is a special purpose company whose only activity is to hold an investment in L.A.B Investments Plc (the "Plc"). The Plc is an investment company whose activity is to hold local authority loan instruments and to service bonds which have been issued to finance such purchases. The Company and the Plc are altogether referred to as the "Group".

The loan instruments have been pledged to the Royal Exchange Trust Company Limited as security for the bonds.

L.A.B. Investments Plc main overall financial aim is to break-even at the end of its 25 year life.

#### **Principal risks and uncertainties**

##### **Financial risks**

The financial risks of the Group were addressed by the directors when the Group set up the financial agreements. The Group's financial receivables are loans from local authorities and its financial payables are issued bonds. The financial liabilities are matched by the same nominal value of financial assets. The interest rates are fixed eliminating interest rate risks.

Management fees have been set at a fixed amount within the Management Agreement of the Plc, which enables those expenses to be stabilised over the lifetime of the bonds. However, other external fees are subject to fluctuations over time.

##### **Going concern**

The directors do not believe it is appropriate to prepare these financial statements on a going concern basis as there is material uncertainty to the Company being sufficiently funded to continue operating until maturity when the liabilities of the company fall due. The company's financial receivable is redeemable on 19 February 2019, these are loans to local authorities and its financial payable is a bond issued on the London Stock Exchange. At incorporation the company was to receive additional interest of £18,000 on the amount paid to bondholders and that received on the underlying loan to local authorities. The additional funds received are used to ensure the company can continue to operate and cover all administrative expenses each financial year. Over time the administrative expenses of the company have increased whilst the additional interest remained the same. The sum set has not been sufficient to cover all of the company's expenses.

The company has forecast all expenditure expected to be incurred until the maturity of the bonds in February 2019. To continue to maturity the Company expects to hold discussions with Bondholders to agree upon an interest reduction at the next interest payment date (August 2018). However, there is not a guarantee that any resolution will be passed and quorum reached, therefore there is a material uncertainty with the Company's ability to continue as a going concern.

**L.A.B INVESTMENTS (HOLDINGS) LIMITED**

**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 AUGUST 2017**

**Financial key performance indicators**

The Directors monitor semi-annual cash flows to ensure that these are sufficient to service the interest payable on bonds in issue. There is a material uncertainty on the future cash flows to service the interest on the remaining bonds in issue to maturity on 19 February 2019.

This report was approved by the board on 28 February 2018 and signed on its behalf.



**David John Osborne**

**Link Trust Corporate Limited  
Director**

## **L.A.B INVESTMENTS (HOLDINGS) LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2017**

#### **RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £26,411 (2016 - loss £55,085). The directors do not recommend the payment of a dividend (2016 - £Nil).

#### **Principal activity and strategy**

During the year ended 31 August 2017, the Company's principal activity was to act as a holding Company for its subsidiary LAB Investments Plc. However, after the year end the directors took the decision to cease trading following the settlement of the LAB Investments Plc loan instruments on 19 February 2019. As the directors do not intend to replace the loan instruments they intend to liquidate the Company following settlement of the remaining net assets, they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 1.

#### **Directors**

The directors who served during the year were:

Link Trust Corporate Limited (formerly Capita Trust Corporate Limited - 6 November 2017)

Link Corporate Services Limited (formerly Capita Trust Corporate Services Limited - 6 November 2017)

Carl Steven Baldry

#### **Corporate Governance**

The Directors have been charged with governance in accordance with the transactional documentation detailing the mechanism and structure of the transaction. The structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documentation provides for procedures that 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 whilst enabling the directors to comply with the regulatory obligations.

Due to the nature of the securities which have been issued, the Company is exempt from the requirements of the Financial Conduct Authority Disclosure and Transparency Rules 7.1 Audit Committees and 7.2 Corporate Governance Statements, which would otherwise require the Company to have an audit committee in place and include a corporate governance statement in the report of the directors. The directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee, or to publish a corporate governance statement.

#### **Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

**L.A.B INVESTMENTS (HOLDINGS) LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 AUGUST 2017 (CONTINUED)**

**Auditor**

The auditor, KPMG LLP Audit, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**Small companies note**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006. This report was approved by the board on 28 February 2018 and signed on its behalf.



**David John Osborne**

**Link Trust Corporate Limited**  
**Director**

## **L.A.B INVESTMENTS (HOLDINGS) LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017**

The directors are responsible for preparing the Strategic Report, the Directors' Report, and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company 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 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 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, relevant and reliable;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business. As explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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 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 Group and to prevent and detect fraud and other irregularities.



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF L.A.B. INVESTMENTS (HOLDINGS) LIMITED

## 1 Our opinion is unmodified

We have audited the financial statements of L.A.B Investments PLC ("the Company") for the year ended 31 August 2017 which comprise consolidated profit and loss, consolidated balance sheet, company balance sheet, statement of changes in equity, consolidated cash flow statement, and the related notes, including the accounting policies in note.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 August and of its loss for the year then ended;
- the Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the financial statements 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 appointed as auditor by the directors on 14 January 2010. The period of total uninterrupted engagement is for the 8 financial years ended 31 August 2017. 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.

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit are set out below. Our key procedures to address those risks are also set out below.

Risk	Procedure type
Valuation of Investment	Agree outstanding loan nominal value and investment discount to third party bank letter.  Consider the impairment indicator by comparing the latest audited financial statement of the Company's investment in the unlisted debt of six municipalities to the Company investment balance.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF L.A.B. INVESTMENTS  
(HOLDINGS) LIMITED (CONTINUED)**

Balance of investment is 84,938,263 (2016: 84,899,677).

The results of our testing were satisfactory and we considered the amount of investment recognised to be acceptable.

**Emphasis of matter-going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note.

**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 £852,000 (2016: £1,704,000), determined with reference to a benchmark of total assets (of which it represents 1% (2016: 2%)).

**4 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.

**5 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 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.

We have nothing to report in these respects.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF L.A.B. INVESTMENTS  
(HOLDINGS) LIMITED (CONTINUED)**

**6 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.

***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, other irregularities, 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. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting 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).

**7 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 KMPG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

28 February 2018

**L.A.B INVESTMENTS (HOLDINGS) LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 AUGUST 2017**

	Note	2017 £	2016 £
Income from fixed asset investments	6	6,112,836	6,109,924
Interest payable and similar charges on bonds in issue	7	(6,094,782)	(6,092,201)
		<u>18,054</u>	<u>17,723</u>
Administrative expenses		(44,488)	(73,424)
Other interest receivable and similar income	8	23	616
<b>Operating loss</b>		<u>(26,411)</u>	<u>(55,085)</u>
Tax on loss	9	-	-
<b>Loss for the year</b>		<u>(26,411)</u>	<u>(55,085)</u>
<b>Total comprehensive loss for the year</b>		<u>(26,411)</u>	<u>(55,085)</u>

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

The notes on pages 14 to 25 form part of these financial statements.

**L.A.B INVESTMENTS (HOLDINGS) LIMITED**  
**REGISTERED NUMBER: 02873031**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 AUGUST 2017**

	Note	Consolidated 31 August 2017 £	Company 31 August 2017 £	Consolidated 31 August 2016 £	Company 31 August 2016 £
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investments	10	-	-	84,899,677	-
		-	-	84,899,677	-
<b>Current assets</b>					
Investments	10	84,938,263	-	-	-
Debtors: amounts falling due within one year	12	216,343	-	216,343	-
Cash at bank and in hand	16	46,221	1	81,039	1
		<u>262,564</u>	<u>1</u>	<u>297,382</u>	<u>1</u>
<b>TOTAL ASSETS</b>		<u>85,200,827</u>	<u>1</u>	<u>85,197,059</u>	<u>1</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	13	(85,184,673)	(50,000)	(236,661)	(37,500)
		<u>(85,184,673)</u>	<u>(50,000)</u>	<u>(236,661)</u>	<u>(37,500)</u>
<b>Non-current liabilities</b>					
Creditors: amounts falling due after more than one year	14	-	-	(84,917,833)	(12,500)
		-	-	<u>(84,917,833)</u>	<u>(12,500)</u>
<b>TOTAL LIABILITIES</b>		<u>(85,184,673)</u>	<u>(50,000)</u>	<u>(85,154,494)</u>	<u>(50,000)</u>
<b>Net assets</b>		<u>16,154</u>	<u>(49,999)</u>	<u>42,565</u>	<u>(49,999)</u>
<b>Capital and reserves</b>					
Called up share capital	15	1	1	1	1
Profit and loss account		<u>16,153</u>	<u>(50,000)</u>	<u>42,564</u>	<u>(50,000)</u>
		<u>16,154</u>	<u>(49,999)</u>	<u>42,565</u>	<u>(49,999)</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 February 2018.



**David John Osborne**

**Link Trust Corporate Limited**  
**Director**

**L.A.B INVESTMENTS (HOLDINGS) LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 AUGUST 2017**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 September 2016	1	42,564	42,565
<b>Comprehensive income for the year</b>			
Loss for the year	-	(26,411)	(26,411)
Total comprehensive income for the year	-	(26,411)	(26,411)
<b>At 31 August 2017</b>	<b>1</b>	<b>16,153</b>	<b>16,154</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 AUGUST 2016**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 September 2015	1	97,649	97,650
<b>Comprehensive income for the year</b>			
Loss for the year	-	(55,085)	(55,085)
Total comprehensive income for the year	-	(55,085)	(55,085)
<b>At 31 August 2016</b>	<b>1</b>	<b>42,564</b>	<b>42,565</b>

**L.A.B INVESTMENTS (HOLDINGS) LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 AUGUST 2017**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 September 2016	1	(50,000)	(49,999)
Total comprehensive income for the year	-	-	-
At 31 August 2017	<u>1</u>	<u>(50,000)</u>	<u>(49,999)</u>

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 AUGUST 2016**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 September 2015	1	(50,000)	(49,999)
Total comprehensive income for the year	-	-	-
At 31 August 2016	<u>1</u>	<u>(50,000)</u>	<u>(49,999)</u>

**L.A.B INVESTMENTS (HOLDINGS) LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 AUGUST 2017**

	2017 £	2016 £
<b>Cash flows from operating activities</b>		
Loss for the financial year	(26,411)	(55,085)
<b>Adjustments for:</b>		
Amortisation discount on loans issued	(38,586)	(35,994)
Amortisation discount on bonds issued	38,532	35,951
Corporation tax	-	(28,712)
Increase in debtors	-	321
(Decrease)/increase in creditors	<u>(8,353)</u>	<u>1,415</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(34,818)</b>	<b>(82,104)</b>
Cash and cash equivalents at beginning of year	<u>81,039</u>	<u>163,143</u>
<b>Cash and cash equivalents at end of year</b>	<u><b>46,221</b></u>	<u><b>81,039</b></u>



## **L.A.B. INVESTMENTS (HOLDINGS) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017**

#### **1. Accounting policies**

##### **1.1 Basis of preparation of financial statements**

L.A.B. Investments (Holdings) Limited is a limited company incorporated, domiciled and registered in England and Wales. The registered number is 02873031 and the registered office address is 6th Floor, 65 Gresham Street, London, EC2V 7NQ.

These Group and parent company financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company accounting policies (see note 2).

In previous years, the financial statements have been prepared on a going concern basis. However, shortly after the current year end the directors took the decision that the company will cease to trade following the final settlement of the LAB Investments Plc loan instruments on 19 February 2019. As the directors do not intend to replace the loan instruments they intend to liquidate the Company following the settlement of the remaining net assets, they have not prepared the financial statements on a going concern basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

The following principal accounting policies have been applied:

##### **1.2 Going concern**

The directors do not believe it is appropriate to prepare these financial statements on a going concern basis as there is material uncertainty to the Company being sufficiently funded to continue operating until maturity when the liabilities of the company fall due. The company's financial receivable is redeemable on 19 February 2019, these are loans to local authorities and its financial payable is a bond issued on the London Stock Exchange. At incorporation the company was to receive additional interest of £18,000 on the amount paid to bondholders and that received on the underlying loan to local authorities. The additional funds received are used to ensure the company can continue to operate and cover all administrative expenses each financial year. Over time the administrative expenses of the company have increased whilst the additional interest remained the same. The sum set has not been sufficient to cover all of the company's expenses.

The company has forecast all expenditure expected to be incurred until the maturity of the bonds in February 2019. To continue to maturity the Company expects to hold discussions with Bondholders to agree upon an interest reduction at the next interest payment date (August 2018). However, there is not a guarantee that any resolution will be passed and quorum reached, therefore there is a material uncertainty with the Company's ability to continue as a going concern.

## **L.A.B. INVESTMENTS (HOLDINGS) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017**

#### **1. Accounting policies (continued)**

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

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 August 2017. 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.

The company has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own Profit and Loss Account.

The profit and loss account for the year dealt with in the accounts of the company was £Nil (2016: £Nil).

##### **1.4 Financial instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **1.5 Investment in subsidiary**

Investments in subsidiary undertakings are held at cost less any provision for impairment.

##### **1.6 Taxation**

The Company has elected to be taxed under the "permanent" tax regime for securitisation companies (contained in Statutory Instrument 2006/3296), under which the Company is taxed broadly by reference to its net cash flows during the year, and not by reference to its accounting profits, to the extent that these differ.

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

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

##### **1.8 Other income**

Other income represents bank interest and is recognised on an accruals basis. In the current year, other income also represents the reversal of an over accrual from prior year.

**L.A.B. INVESTMENTS (HOLDINGS) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2017**

**1. Accounting policies (continued)**

**1.9 Income from unlisted debt securities**

Income from unlisted debt securities is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Income from unlisted debt securities is recognised when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably. Income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

**1.10 Administration expenses**

Administration expenses include corporate service fees, trustee fees, registrars fees, and audit fees and are recognised on an accruals basis

**2. Judgement in applying accounting policies and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**3. Staff costs**

The Company has no employees other than the directors, who did not receive any remuneration (2016: £Nil).

**4. Remuneration of Director's**

None of the directors received remuneration for their service to the company (2016: £Nil).

# **L.A.B. INVESTMENTS (HOLDINGS) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017**

### **5. Auditor's remuneration**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Auditor's remuneration	<b>7,200</b>	<b>8,250</b>
<b>Total</b>	<b>7,200</b>	<b>8,250</b>

### **6. Income from investment and similar income**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Income from unlisted debt securities	<b>6,074,250</b>	<b>6,073,929</b>
Amortised discount	<b>38,586</b>	<b>35,995</b>
<b>Total</b>	<b>6,112,836</b>	<b>6,109,924</b>

### **7. Interest payable and similar charges on Bonds in issue**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Interest paid on bonds in issue	<b>6,056,250</b>	<b>6,056,250</b>
Amortised discount	<b>38,532</b>	<b>35,951</b>
<b>Total</b>	<b>6,094,782</b>	<b>6,092,201</b>

### **8. Other Income**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Group</b>		
Bank Interest received	<b>23</b>	<b>3</b>
Write-off of the other creditors brought forward	<b>-</b>	<b>613</b>
<b>Total</b>	<b>23</b>	<b>616</b>

# **L.A.B. INVESTMENTS (HOLDINGS) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017**

### **9. Taxation**

	2017	2016
	£	£
<b>Group</b>		
<b>Corporation tax</b>		
Current tax on loss for the year	-	-
	-	-
<b>Total current tax</b>	-	-

The tax charge for the period is higher (2016: higher) than the standard rate of corporation tax in the UK (19%, 2016: 20%). The differences are explained below:

	2017	2016
	£	£
Loss on ordinary activities before tax	(26,411)	(55,085)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.6% (2016 – 20%)	(5,177)	(11,017)
<b>Effect of:</b>		
Trading losses	5,177	11,017
<b>Total tax charge for the year</b>	-	-

### **Factors that may affect future tax charges**

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective 1 April 2020) 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 accordingly.

The company elected to be taxed under the Taxation of Securitisation Companies Regulation 2006 on 24 August 2009, effective from 1 September 2007.

As at 31 August 2017, the company has not provided for deferred tax assets or liabilities, as it is taxed under the Regulations referred to above. The Regulations only take the annual retained profit into consideration for the purpose of determining the company's tax liability. The directors are not aware of any factors that will have a significant effect on the future tax charge of the company.

# L.A.B. INVESTMENTS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

### 10. Investment

	2017	2016
Group	£	£
<b>Cost</b>		
At beginning and end of year	<u>84,475,550</u>	<u>84,475,550</u>
	<u>84,475,550</u>	<u>84,475,550</u>
<b>Amortisation</b>		
At beginning of year	424,127	388,133
Amortised discount for the year	<u>38,586</u>	<u>35,994</u>
<b>At end of year</b>	<u>462,713</u>	<u>424,127</u>
	<u>84,938,263</u>	<u>84,899,677</u>
<b>Net book value end of the year</b>	<u>84,938,263</u>	<u>84,899,677</u>

The investment comprises unlisted debt securities, in the form of local authority loan instruments, with a nominal value totalling £85 million consisting of separate debts of £10 million and £75 million which attract interest rates of 7.155% and 7.145% respectively, redeemable on 18 February 2019. The loans were issued at a discount of £524,450. The discount is amortised through interest income (see note 6) using the effective interest rate and have been pledged to Royal Exchange Trust Co. Ltd as security for bonds issued.

### 11. Investment in subsidiary

	2017	2016
Company	£	£
<b>Cost</b>		
At beginning and end of year	<u>50,000</u>	<u>50,000</u>
	<u>50,000</u>	<u>50,000</u>
<b>Provision for impairment</b>		
At the beginning and end of year	<u>50,000</u>	<u>50,000</u>
	<u>50,000</u>	<u>50,000</u>
<b>Net book value end of the year</b>	<u>-</u>	<u>-</u>

The Company's fixed asset investment consists of the entire share capital of its wholly owned subsidiary, L.A.B. Investments Plc which is registered at address.

	Country of incorporation	Principal activity	Percentage of shares held	Class of shares held
L.A.B. Investments Plc	England and Wales	Investment Company	100%	£1 Ordinary

# L.A.B. INVESTMENTS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

### 11. Investment in subsidiary (continued)

The company's investment consists of the entire share capital of its wholly owned subsidiary, L.A.B. Investments Plc, an investment company incorporated in the United Kingdom. During 2009 the company recorded a provision to reduce the carrying value of the investment to nil. Management deemed this appropriate because a deficit on shareholder's funds is expected within L.A.B. Investments Plc on the bond redemption date of 19 February 2019, based on forecast income and expenditure to that date.

### 12. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtor	216,343	216,343	-	-
<b>Total</b>	<b>216,343</b>	<b>216,343</b>	<b>-</b>	<b>-</b>

### 13. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Accrual and deferred income	228,309	236,661	-	-
Intercompany unpaid share capital	-	-	37,500	37,500
Bank loan	18,000	-	12,500	-
Bond in issue at cost	84,475,550	-	-	-
Amortised discount	462,814	-	-	-
<b>Total</b>	<b>85,184,673</b>	<b>236,661</b>	<b>50,000</b>	<b>37,500</b>

#### Bank Loan

The loan is non-interest bearing and is repayable on 19 February 2019, unless all of the bonds are redeemed early, in which case the loan will fall due.

#### Bond in issue

The bonds in issue have a nominal value of £85 million, are redeemable by 18 February 2019 and bear interest at 7.125% per annum. The bonds are listed on the London Stock Exchange.

#### Repayment analysis

	2017 £	2016 £
Amounts repayable, other than by instalments, in less than one year	84,938,364	-
Amounts repayable, other than by instalments, in more than one year but not more than five years	-	84,905,333

# **L.A.B. INVESTMENTS (HOLDINGS) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017**

### **14. Creditors: Amounts falling due after more than one year**

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
Bond in issue at cost	-	84,475,550	-	-
Amortised discount	-	424,283	-	-
Bank loans	-	18,000	-	12,500
Intercompany unpaid share capital	-	-	-	-
<b>Total</b>	<b>-</b>	<b>84,917,833</b>	<b>-</b>	<b>12,500</b>

### **15. Share Capital**

	<b>2017 £</b>	<b>2016 £</b>
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid up</b>		
1 Ordinary share of £1	1	1
	<b>1</b>	<b>1</b>

### **16. Cash and cash equivalents**

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
Cash in bank and in hand	46,221	81,039	1	1
<b>Total</b>	<b>46,211</b>	<b>81,039</b>	<b>1</b>	<b>1</b>



# **L.A.B. INVESTMENTS (HOLDINGS) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017**

### **17. Financial instruments**

The Company's financial instruments comprise three tranches of loan receivables and fixed rate bonds payable. Cash, accrued interest income, accrued interest payable and other items arise directly from its operations.

It is and has been throughout the year, the Company's policy that no trading in financial instruments shall be undertaken.

Because the payment and receipt of interest on bonds and loans is fixed, the main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below. All transactions and financial instruments are denominated in the Company's functional currency (Sterling) and consequently no currency exposure arises.

#### **Interest rate risk management**

Interest rate risk exists where assets and liabilities have interest rates set under different bases or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of its assets and liabilities are similar. The interest rates on the loans and bond are fixed rate.

**As at 31 August 2017**

	Effective interest rate	Total	Floating rate	Fixed price
	%	£	£	£
<b>Assets</b>				
Cash and cash equivalents		46,221	46,221	-
Loan issued	7.20%	84,938,263	-	84,938,263
		<u>84,984,484</u>	<u>46,221</u>	<u>84,938,263</u>
<b>Liabilities</b>				
Bank Loan		(18,000)	-	(18,000)
Bonds	7.18%	(84,938,364)	-	(84,938,364)
		<u>(84,956,364)</u>	<u>-</u>	<u>(84,956,364)</u>
		<u>28,120</u>	<u>46,221</u>	<u>(18,101)</u>

# L.A.B. INVESTMENTS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

### 17. Financial instruments (continued)

#### Interest rate risk management

As at August 2016

	Effective interest rate	Total	Floating rate	Fixed price
	%	£	£	£
<b>Assets</b>				
Cash and cash equivalents		81,038	81,038	-
Loan issued	7.20%	84,899,677	-	84,899,677
		<u>84,980,715</u>	<u>81,038</u>	<u>84,899,677</u>
<b>Liabilities</b>				
Bank Loan		(18,000)	-	(18,000)
Bonds	7.18%	(84,899,833)	-	(84,899,833)
		<u>(84,917,833)</u>	<u>-</u>	<u>(84,917,833)</u>
		<u>62,882</u>	<u>81,038</u>	<u>(18,156)</u>

#### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities as they fall due.

The Company's policy is to manage liquidity risk by contractually matching the timing of the cash receipts from the loans receivable with those of the cash payments due on the bonds. The Company maintains adequate cash reserves to cover other operational costs.

#### Maturity of financial assets and liabilities

The following maturity profile details the Company's expected maturity for its non-derivative financial assets and is based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period:

#### Financial assets

	2017	2016
	£	£
In one year or less, or on demand	97,148,500	6,074,250
In more than one year but not more than five years	-	97,148,500
In more than five years	-	-
<b>Total</b>	<u>97,148,500</u>	<u>103,222,750</u>

# L.A.B. INVESTMENTS (HOLDINGS) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017

### 17. Financial instruments (continued)

The following maturity profile details the Company's remaining contractual maturity for its non-derivative financial liabilities and is based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay including interest and principal cash flows.

#### Financial liabilities

	2017	2016
	£	£
In one year or less, or on demand	97,112,500	6,056,250
In more than one year but not more than five years	-	97,112,500
In more than five years	-	-
<b>Total</b>	<b>97,112,500</b>	<b>103,168,750</b>

#### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Loans were made to three local authorities; therefore the credit risk is highly concentrated in these three counterparties. However the directors believe that the loans are fully recoverable and do not consider any impairment charge is necessary. The loans are neither past due nor impaired. The Company's maximum exposure to credit risk is the balance sheet amount.

#### Fair values

The fair value of the bonds is based on market prices. The fair value of the loan has been based on the fair value of the bonds because they have similar maturities and interest rate.

	Carrying amount 2017	Fair value 2017	Carrying amount 2016	Fair value 2016
	£	£	£	£
<b>Assets</b>				
Loans issued	84,938,263	92,299,800	84,899,677	97,478,850
	84,938,263	92,299,800	84,899,677	97,478,850
<b>Liabilities</b>				
Bonds issued	84,938,364	92,299,800	84,899,833	97,478,850
Bank loan	18,000	18,000	18,000	18,000
<b>Total</b>	<b>84,956,364</b>	<b>92,317,800</b>	<b>84,917,833</b>	<b>97,496,850</b>

## **L.A.B. INVESTMENTS (HOLDINGS) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2017**

#### **17. Financial instruments (continued)**

##### **Capital risk management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to continue to service its obligations on the notes issued. The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 15 and equity comprising issued share capital and retained earnings as disclosed in the balance sheet.

#### **18. Related party transactions**

Link Corporate Services Limited and Link Trust Corporate Limited are corporate service providers to the Company. During the year Link Corporate Services Limited received an annual fee of £28,085 (2016: £18,565) for providing these services and £907 (2016: £650) was accrued at year end and is included in creditors due within one year.

#### **19. Ultimate parent undertaking and controlling party**

Of the 50,000 ordinary shares issued in L.A.B. Investments Plc, 49,999 are held by L.A.B. Investments (Holdings) Limited and 1 share is held by the Royal Exchange Trust Company Limited in trust for L.A.B. (Holdings) Limited. Accordingly L.A.B. Investments Plc is a wholly owned subsidiary undertaking, whose ultimate parent undertaking is L.A.B. Investment (Holdings) Limited.

L.A.B. Investments (Holdings) Limited is registered in England and Wales and prepares group accounts which can be obtained from 6th Floor, 65 Gresham Street, London EC2V 7NQ. The entire share capital of L.A.B. Investments (Holdings) Limited is held by Royal Exchange Trust Company Limited under the terms of a trust declared ultimately for charitable purposes. Royal Exchange Trust Company Limited is a company registered in England and Wales and the registered office address is, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU. The ultimate controlling party is Royal Exchange Trust Company Limited, as trustee.

#### **20. Post balance sheet events**

There were no significant post balance sheet events.