Pensions Committee

2.00 p.m., Wednesday, 28 September 2016

Annual Report on LPFE Limited and LPFI Limited

Item number	5.5
Report number	
Executive/routine	
Wards	All

Executive summary

Further to the establishment of LPFE Limited and LPFI Limited, as wholly owned and controlled subsidiaries of the City of Edinburgh Council, in support of the administration of the pension funds that it administers, this report provides an update on the business and operation of those entities. This is in accordance with the revised remit of the Pensions Audit Sub-committee which gives it the power to scrutinise the Council companies associated with the pension fund.

Regular reports will ensure compliance with the existing governance requirements of both companies under their own constitutions and broadly align the governance processes for these companies with new procedures overseen by the Council's Companies Hub for other Council companies.

Most notably:

- The first set of audited annual accounts for LPFE Limited have been finalised and are attached for the Committee's information.
- LPFI Limited has now received authorisation from the Financial Conduct Authority to allow it to support the administration of the pension funds on certain regulated matters within its business plan.

Links

Coalition pledges	
Council outcomes	CO26
Single Outcome Agreement	

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Report

Annual Report on LPFE Limited and LPFI Limited

Recommendations

Committee is requested to:

1.1 Invite the Pension Board to raise any relevant matters or concerns which the Committee should consider;

1.2 Note that the remit of the Pensions Audit Sub-committee has been amended by Council to include scrutiny of the Council companies associated with the pension fund; and

1.3 Note the LPFE Limited annual accounts and the updates on LPFE and LPFI provided in this report.

Background

2.1 The Pensions Committee has previously considered and approved the establishment of a new corporate structure to facilitate the more efficient administration of the pension funds for which the City of Edinburgh Council (CEC) is responsible.

2.2 This is the first report to Committee on the corporate structure and Committee may wish to consider whether the content is sufficient.

2.3 The structure, including two limited companies LPFI Limited (LPFI) (*regulated investments*) and LPFE Limited (LPFE) (*staffing*), was established in 2015/16 and relevant members of staff were transferred into LPFE in May 2015.

2.4 Risk analysis for both LPFI and LPFE has been incorporated within the Fund's existing processes and quarterly reporting to the Committee (see separate paper).

2.5 Both LPFE and LPFI have and will continue to be subject to review by internal audit.

Main report

LPFE Limited

3.1 LPFE was incorporated on 11 February 2015 and commenced trading on 1 May 2015, when the employment of relevant members of the Fund's staff was transferred to it. LPFE has since provided investment staff resource to the group responsible for administering the Funds, which includes CEC, LPFE itself and LPFI (**LPF Group**).

3.2 LPFE receives certain administrative support services from CEC (information compliance, office support, IT etc.), external Human Resources services from 121 HR Solutions and payroll services from Scott Moncrieff. In addition, Scott Moncrieff has been appointed as LPFE's auditor, payroll provider and to provide certain tax advisory services. The expenses in relation to LPFE are contained with the finances of the Lothian Pension Fund. The 2015/16 budget for Lothian Pension Fund contained a £250k provision for a loan facility provided from CEC to LPFE for the purposes of short term working capital support. Cash is drawn-down from the loan facility (not beyond the £250k provision) when required and interest is charged on the net amount drawn down, with the rate linked to the Royal Bank of Scotland base rate.

3.3 HMRC has now confirmed that, in light of the group arrangement, any profit arising from services between LPFE and CEC will be deemed to be covered by the mutual trading rules and so not subject to corporation tax.

3.4 The LPFE Board is made up of the following:

Role	**Person**	**Dates to/from**
Executive Director of Corporate Governance/Resources (Chair of LPFE)	*Alastair Maclean* Hugh Dunn (currently acting in this role)	*Incorporation to 19/2/16* Incorporation to date
Convener of the Pensions Committee	Alasdair Rankin	24/2/15 to date
City of Edinburgh Council's Head of Finance	Hugh Dunn	Incorporation to date
City of Edinburgh Council's Head of HR	*Linda Holden* *Martin Glover* Katy Miller	*Incorporation to 10/12/15* *10/12/15 to 19/8/16* To be appointed
Chief Executive of Lothian Pension Fund	Clare Scott	Incorporation to date

3.5 It is intended that following the conclusion of CEC's structural review and appointments, a further appointment will be made to the board to cover the vacancy of either the Director of Resources or Head of Finance role depending on the outcome of CEC's process.

3.6 The LPFE board has met regularly since the company commenced trading to monitor ongoing business and establish the company's HR systems, policies and procedures.

3.7 All staff transferred to LPFE on existing terms and conditions. Following a review of remuneration including benchmarking undertaken by PWC, a revised remuneration strategy was put in place in December 2015.

3.8 Revised contracts have been put in place and now include clauses on confidentiality, non-competition and non-soliticitation. A new Staff Handbook has also been created which consolidates and simplifies the policies which were transferred from the Council.

3.9 At the most recent meeting of the Board on 20 June 2016, LPFE's first set of audited financial accounts was considered and approved. A copy of these accounts is detailed at Appendix 1 to this report for your information.

3.10 LPFE has been admitted as an employer to the Lothian Pension Fund to ensure continuity of pension provision. The Board has recently considered and approved an employer discretions policy as part of its admission process to the Fund.

3.11 From 1 May 2016, LPFE also became a party to the secondment arrangement with Falkirk Council whereby it and CEC together now provide certain limited staff secondment services to Falkirk Council Pension Fund in relation to LPFE and other staff.

3.12 Future business of the LPFE Board includes:

- the approach to future remuneration reviews, including consideration of individual and Fund performance and benchmarking with comparable roles in the private sector;
- determining what action is required to be taken regarding any conflict of interest associated with Scott Moncrieff, who are expected to be appointed as external auditor in the near future; and
- the potential for other members of the Lothian Pension Fund staff to transfer to LPFE Limited.

LPFI Limited

3.13 LPFI was also incorporated on 11 February 2015, but has remained inactive until such time as it received the necessary permissions from the Financial Conduct Authority (FCA) to carry out its primary function of providing regulated investment advisory and arranging services to CEC. This will, initially, primarily involve services around the LPF Group's activities in transacting collaboratively in the private markets with other institutional investors and also in relation to any derivative/foreign exchange hedging being done for the benefit of the Fund.

3.14 The LPFI Board is made up of the following:

Role	Person	Dates to/from
Executive Director of Corporate Governance/Resources (Chair of LPFI)	*Alastair Maclean* Hugh Dunn	*Incorporation to 19/1/16*** 19/1/16 to date
Chief Executive of Lothian Pension Fund	Clare Scott	Incorporation to date
Chief Risk Officer of Lothian Pension Fund	Struan Fairbairn	Incorporation to date
Chief Finance Officer of Lothian Pension Fund	John Burns	Incorporation to date
Chief Investment Officer	Bruce Miller	Incorporation to date
***A different date to LPFE due to the timing of the respective board meetings to formally remove and ratify the appointment.*		

3.15 The LPFI Board has agreed that it is appropriate to appoint a Non-Executive Director to the Board to support the strategic development of LPFI and also to ensure best practice governance and oversight of the business, and the Board itself. This also means that LPFI will be compliant with the United Kingdom's Corporate Governance Code in this regard. A candidate has been identified for this role.

3.16 As LPFI has, to date, not traded, it will be submitting a dormant accounts submission to Companies House within the next few months.

3.17 HMRC has now confirmed that, in light of the group arrangement, any profit arising from services between LPFI and CEC will be deemed to be covered by the mutual trading rules and so not subject to corporation tax.

3.18 As previously reported to Committee, LPFI received its authorisation from the FCA on 24 June 2016 and so is now a regulated entity with its eleven members of staff also being individually regulated with certain regulatory functions appropriate to their roles.

3.19 Immediately prior to receiving authorisation from the FCA, and as part of that process, LPFI issued a further 40,000 shares of £1 each to CEC to satisfy its regulatory capital requirements. Due to the unprecedented currency exchange movements that preceded the Brexit vote, LPFI issued a further £4,000 of regulated capital to CEC to act as a buffer against any further negative movement in the Sterling-to-Euro exchange rate that might result in LPFI being in breach of its regulatory capital requirements.

3.20 LPFI has appointed Moore Stephens (a partner firm of Scott Moncrieff) to provide it with ongoing administrative support in relation to its annual filing requirements with the FCA and, separately, to provide *ad hoc* regulatory and training support.

3.21 Future business of the LPFI Board includes:

- to approve the final governance steps to be implemented following receipt of FCA authorisation and immediately prior to it commencing to trade (e.g. putting in place the personal indemnity insurance policy, internal training and other administrative/systems matters). LPFI expects to commence trading in October 2016;
- as LPFI has appointed Scott Moncrieff to provide it with audit and tax advisory services, the board will need to determine what action is required to be taken regarding any conflict of interest associated with Scott Moncrieff, having recently also being appointed as external auditor with effect from 31 March 2017; and
- consider and, if thought appropriate, support the implementation of a revised structure to provide shared investment services to the Falkirk Council Pension Fund (see also the paper on Collaboration).

Measures of success

4.1 The Committee are appropriately informed and up to date as to the ongoing business and operations of the LPF Group, including its corporate subsidiaries LPFE and LPFI.

Financial impact

5.1 None.

Risk, policy, compliance and governance impact

6.1 To satisfy the reporting requirements to City of Edinburgh Council, as the sole shareholder of both LPFE Limited and LPFI Limited.

Equalities impact

7.1 None.

Sustainability impact

8.1 None.

Consultation and engagement

9.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the Funds.

Background reading/external references

A link to LPFI's details on the FCA's register - https://register.fca.org.uk/ShPo_FirmDetailsPage?id=001b000003LFGGaAAP

A link to LPFI's details on Companies House - https://beta.companieshouse.gov.uk/company/SC497542

A link to LPFE's details on Companies House - https://beta.companieshouse.gov.uk/company/SC497543

Hugh Dunn

Acting Executive Director of Resources

Contact: Clare Scott, Chief Executive Officer Lothian Pension Fund

E-mail: clare.scott@edinburgh.gov.uk | Tel: 0131 469 3865

Links

Coalition pledges	
Council outcomes	CO26 - The Council engages with stakeholders and works in partnerships to improve services and deliver agreed objectives
Single Outcome Agreement	
Appendices	LPFE Limited's audited annual accounts to 31 March 2016

Appendix 1

LPFE Limited

Financial Statements

For the period from incorporation to 31 March 2016

Registered number SC497543

LPFE LIMITED

Financial statements

For the period ended 31 March 2016

Contents	**Page**

LPFE LIMITED

Company information

Board of Directors:	Hugh Dunn Clare Scott Alasdair Rankin Martin Glover
Company Secretary:	D.W. Company Services Limited
Bankers:	The Royal Bank of Scotland plc
Auditor:	Scott-Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL

LPFE LIMITED

Directors' report

For the period ended 31 March 2016

The directors present their report and audited financial statements for the period from 11 February 2015, the date of incorporation, to 31 March 2016.

Principal activity

The principal activity of the company is the provision of seconded staff to the City of Edinburgh Council and LPFI Limited in support of the administration of the Lothian Pension Fund, the Lothian Buses Pension Fund and the Scottish Homes Pension Fund ("the Funds") and, separately, to Falkirk Council in their capacity as the administering authority of the Falkirk Council Pension Fund. All pension funds are part of the Local Government Pension Scheme in Scotland.

Results, Dividends and Mutual Trading Surplus

The loss for the year after tax was £60,454 and after allowing for items included under "Other comprehensive income" a loss of £142,454. The directors do not recommend payment of dividend.

The company's aim is to make a modest trading surplus before adjustments required under IFRS. After allowing for an addition to costs of £26,697 in respect of accrued holiday pay and £62,000 for adjustments to pension costs under IAS19, the underlying trading profit is £28,243. The additional costs recognised under "Other comprehensive income" amounting to £82,000 all relate to further adjustments required by IAS19 and the related deferred tax.

Under the mutual agreement with the City of Edinburgh Council, the company is required to consider if any of profit arising from the mutual trade can be returned to the Council. Although there was an underlying trading profit of £28,243, Company Law requires that only "distributable profits" are available for distribution. The company's auditor has confirmed that the various adjustments required under IFRS do need to be taken into account when determining if profits are distributable. As a result there are no distributable profits available for return to the Council in respect of the period.

Business Review

The company was incorporated on 11 February 2015 and commenced trading on 1 May 2015. On that date, 11 investment and managerial staff transferred their employment from the City of Edinburgh Council to the company.

The company is wholly owned by the City of Edinburgh Council and has entered into a shareholder agreement with the Council to appropriately address certain governance matters. The company also has a loan facility provided by the City of Edinburgh Council for the purpose of the provision of short term working capital.

Staffing services are provided to the City of Edinburgh Council for the purposes of administering the Funds under a intra-group resourcing agreement. The agreement also provides for the running costs of the company to be covered as part of a service charge and anticipates the provision of staffing services to LPFI Limited (also wholly owned by the City of Edinburgh Council) on that entity beginning to trade.

The company has entered into appropriate admission arrangements with the City of Edinburgh Council with respect to the 11 transferring individuals continuing to be members of the Lothian Pension Fund and in relation to its obligations as an employer in that fund.

HMRC has agreed that any profits arising as a result from trade between the company and the City of Edinburgh Council will be covered by the "Mutual Trading" rules and so not subject to Corporation Tax.

The company also has a secondment agreement with the Falkirk Council to provide investment staff to assist with certain aspects of the administration of the Falkirk Council Pension Fund as part of a mutually beneficial collaboration between those LGPS funds.

Future prospects

The company's future prospects are primarily linked to the needs of the City of Edinburgh Council in its administration of the Funds. The company is securely funded by the City of Edinburgh Council which means that it is in a position to adapt to any future staffing requirements.

Directors

The directors who served during the period were:

Hugh Dunn	(appointed 11 February 2015)
Linda Holden	(appointed 11 February 2015 and resigned 10 December 2015)
Alastair Maclean	(appointed 11 February 2015 and resigned 19 February 2016)
Clare Scott	(appointed 11 February 2015)
Alasdair Rankin	(appointed 24 February 2015)
Martin Glover	(appointed 10 December 2015)

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 results for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LPFE LIMITED

Directors' report (continued)

For the period ended 31 March 2016

Disclosure of information to auditor

As far as each of the directors at the time the report is approved are aware:

a) there is no relevant information of which the company's auditor is unaware, and
b) the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of the information.

Auditor

The auditor, Scott-Moncrieff, is deemed to be reappointed under Section 487 (2) of the Companies Act 2006.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

This report was approved by the board and signed on its behalf by:

Date: 20 June 2016

Hugh Dunn
Chairman

LPFE LIMITED

Independent auditor's report to the members of LPFE Limited

For the period ended 31 March 2016

We have audited the financial statements of LPFE Limited for the period ended 31 March 2016 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 the Directors and the Auditor

As explained more fully in the Statement of directors' responsibilities 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 (APB's) Ethical Standards for Auditors.

Scope of the Audit on the Financial Statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its results for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matter(s) Prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the period for which the financial statements are prepared is consistent with the financial statements.

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 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;
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Nick Bennett, Senior Statutory Auditor
For and on behalf of Scott-Moncrieff, Statutory Auditor
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 20 June 2016

LPFE LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the period ended 31 March 2016

	Note	2016 £
Revenue	1e	904,074
Gross profit		904,074
Administrative expenses		(959,895)
Loss from operations	2	(55,821)
Finance costs	3	(9,968)
Loss before income tax expense		(65,789)
Corporation tax expense	4	5,335
Loss for the period		(60,454)
Other comprehensive income:		
Those that are not recyclable net of tax:		
Recognition of opening retirement benefit obligation	15	(281,000)
Actuarial gains on retirement benefit obligation in period	15	163,000
Deferred tax on retirement benefit obligation	10	36,000
Total comprehensive income for the period		(142,454)

The accompanying notes on pages 10 to 26 form part of these financial statements

LPFE LIMITED

Statement of Financial Position

As at 31 March 2016

	Note	As at 31 March 2016 £
Non-current assets		
Deferred tax asset	10	36,000
		36,000
Current assets		
Trade and other receivables	7	129,681
Cash and cash equivalents	8	5,065
Total current assets		134,746
Total assets		170,746
Equity and Liabilities		
Equity attributable to equity holders of the parent		
Share capital	11	1
Retained earnings	12	(142,454)
		(142,453)
Liabilities		
Non-current liabilities		
Retirement benefits obligation	15	180,000
Total non-current liabilities		180,000
Current liabilities		
Trade and other payables	9	133,199
Total current liabilities		133,199
Total liabilities		313,199
Total equity and liabilities		170,746

The financial statements were authorised for issue by the Board of Directors on 20 June 2016
and where signed on its behalf by:

, Director

Registered number SC497543

The accompanying notes on pages 10 to 26 form part of these financial statements

LPFE LIMITED

Statement of Changes in Equity

As at 31 March 2016

	Note	Share Capital £	Retained Earnings £	Total £
Loss for the year		-	(60,454)	(60,454)
Other comprehensive income				
Share capital issued		1	-	1
Recognition of opening retirement benefit obligation	15	-	(281,000)	(281,000)
Actuarial gains on retirement benefit obligation in period	15	-	163,000	163,000
Deferred tax on retirement benefit obligation	10	-	36,000	36,000
Balance at 31 March 2016		1	(142,454)	(142,453)

The accompanying notes on pages 10 to 26 form part of these financial statements

LPFE LIMITED

Statement of Cash Flows

For the period ended 31 March 2016

	2016 £
Cash flow from operating activities	
Loss for the period	(60,454)
Adjustments for:	
Defined benefit pension – current service cost	174,000
Defined benefit pension – employer contributions	(121,000)
Defined benefit pension – finance costs	9,000
Finance costs	968
Changes in assets and liabilities:	
Increase in receivables and other financial assets	(123,524)
Increase in payables	133,005
Increase in provisions	-
Cash flows from operations	11,995
Interest paid	(774)
Net cash flows from operating activities	11,221
Cash flow from investing activities	
Net cash flows from investing activities	-
Cash flow from financing activities	
Share capital issued	1
Movement in loan facility	(6,157)
Net cash flows from financing activities	(6,156)
Net increase in cash and cash equivalents	5,065
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	5,065
Cash at bank and in hand	5,065

The accompanying notes on pages 10 to 26 form part of these financial statements

LPFE LIMITED

Notes to the Financial Statements

For the period ended 31 March 2016

1. Statement of significant accounting policies

The financial statements of LPFE Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006, as applicable to companies reporting under IFRS.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of LPFE Limited's financial statements are listed below. LPFE Limited intends to adopt these standards when they become effective.

The directors do not expect that the adoption of the following standards and interpretations in future reporting periods will have a significant impact on the group's financial statements.

- IAS 1 'Presentation of Financial Statements'. The standard has been amended twice. The first amendment arises from the issue of IFRS 9. The main changes deal with the abolition of the available for sale category of financial assets, amend the presentation and disclosure of gains and losses arising on financial assets stated at amortised cost, and take account of the revised reclassification rules under IFRS 9 as compared with IAS 39. These changes take effect at the same time as IFRS 9 is applied. The second amendment is part of the disclosure initiative and is effective for annual periods beginning on or after 1 January 2016. The minor amendments address a number of areas which include the disclosure of significant accounting policies, the application of materiality to financial statements, the presentation of sub-totals, information to be presented in the other comprehensive income section of the performance statement and the structure of the financial statements. Entities are required to present significant accounting policies that form part of a complete set of financial statements, rather than a summary of significant accounting policies.

- IAS 16, 'Property, Plant and Equipment'. There are two amendments to the standard. The first amendment clarifies the suitability of using a revenue-based method of depreciation. The amendment is effective prospectively for annual periods beginning on or after 1 January 2016. The IASB has clarified that a depreciation method based on revenue is not an appropriate method in determining a pattern in which the asset's future economic benefits are consumed. The amendment clarifies that those factors have no impact on the way the asset is consumed, but instead could indicate technological or commercial obsolescence of the asset that reflects a reduction of the future economic benefits of the asset. The second amendment defines and brings bearer plants into the scope of IAS 16 rather than IAS 41. The amendment is effective retrospectively for periods beginning on or after 1 January 2016.

- IAS 19, 'Employee Benefits'. The annual improvements project clarifies the discount rate to be used in regional markets, and is effective for annual periods beginning on or after 1 January 2016. The amendment clarifies that the discount rate to be used for post-employment benefit obligations must be assessed at a currency level and not a country/regional market level when determining the rate based on high quality corporate bonds or government bonds when there is no deep market in high quality corporate bonds in that currency.

- IAS 27, 'Separate Financial Statements'. The IAS 27 amendment addresses the measurement of investments in separate entity financial statements. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendment reinstates a previous option to allow an entity to measure its investments in subsidiaries, associates or joint ventures in the separate financial statements applying the equity method of accounting, this option is in addition to the cost and fair value method currently allowed. The accounting policy choice must be applied to each class of investment. The amendment also clarifies that when an investor becomes or ceases to be an investment entity such a change in accounting must start from the date the change in status occurs.

- IAS 39, 'Financial Instruments: Recognition and Measurement'. A major change to IAS 39 arises out of IFRS 9. The amendments primarily remove items from the scope of the standard, insofar as they are dealt with by IFRS 9. However, these changes apply only when IFRS 9 is adopted.

1. Statement of significant accounting policies (continued)

- IFRS 7, 'Financial Instruments: Disclosures'. There are a number of changes to IFRS 7. Firstly a major change to IFRS 7 arises out of IFRS 9. There are significant changes to the standard, reflecting the replacement of the four categories of financial asset under IAS 39 with the three under IFRS 9. All of the IFRS 7 disclosures by category of financial asset have had to be altered to reflect the new categorisation. There are also changes associated with the potentially different measurement bases applied by IFRS 9. IFRS 7 also has a number of disclosures which deal with the transition from IAS 39 to IFRS 9 for financial assets, and will be required only for the year of change. Secondly the annual improvements project clarifies the concept of continuing involvement in transferred financial assets for disclosure purposes. This amendment applies for periods beginning on or after 1 January 2016. Continuing involvement does not exist in a transferred financial asset when the entity does not have an interest in the future performance of the transferred financial asset nor the responsibility to make payments in respect of the financial asset in the future. The amendment clarifies the latter requirement relating to making a "payment" in respect of the financial asset. Payment in this context does not include cash flows of the transferred financial asset that are collected by the entity and remitted to the transferee.

- IFRS 9, 'Financial Instruments'. The IASB has completed IFRS 9 Financial Instruments, the replacement for IAS 39, dealing with the classification, recognition and measurement, de-recognition, impairment and hedge accounting (except for macro hedging). Macro hedging (described as dynamic risk management) is now being considered as a separate project, and a standard dealing with that matter will be issued in due course. The new standard is effective for accounting periods beginning on or after 1 January 2018.

Objective and Scope
IFRS 9 has the objective of establishing principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows. The scope of the standard is similar to that of IAS 39, however, there are some changes:

- it is now made clearer that the exclusion for forward contracts for business combinations applies;
- only to such combinations which are within the scope of IFRS 3;
- loan commitments now fall within the scope of the impairment requirements (as well as the de-recognition;
- requirements, which also applied under IAS 39); and
- entities may now, at inception, irrevocably designate a contract to buy or sell a non-financial item that would normally be excluded from the scope if this eliminates or reduces a recognition inconsistency (or accounting mismatch).

Recognition and de-recognition
IFRS 9 does not make any substantive changes to the IAS 39 requirements in respect of recognition and de-recognition of financial assets or liabilities, instead more disclosures are required by IFRS 7 on de-recognition.

Classification of Financial Assets
The four categories of financial asset set out in IAS 39 do not survive into IFRS 9. Instead there are three categories:

- at amortised cost;
- at fair value through other comprehensive income; and
- at fair value through profit or loss.

1. Statement of significant accounting policies (continued)

Classification of Financial Liabilities
The requirements in respect of classification of financial liabilities of IAS 39 have, largely, been carried forward without change into IFRS 9. However, consistent with the change in the treatment of unquoted equity investments, the standard does change the treatment of derivative liabilities that are linked to, and must be settled by delivery of, unquoted equity instruments.

Embedded Derivatives
IFRS 9 has, with some rewording, basically taken the definition of an embedded derivative from IAS 39 without substantive change. It does, however, change the accounting consequences of identifying embedded derivatives, quite substantially in some cases. Where there is an embedded derivative then under this standard then the host contract is an asset that falls within the scope of IFRS 9 and the embedded derivative is not separated but the entire contract is accounted for under IFRS 9. This will normally mean that the contract is stated at fair value.

Reclassification of Financial Assets
Reclassification is allowed if, and only if, the entity changes its business model for managing financial assets, or specific portfolios of financial assets. Where this occurs, the change in accounting treatment is applied on a prospective basis only, from the reclassification date. There is no change to the treatment of any gains, losses or interest amounts that have previously been recognised.

Measurement
With one main exception, financial assets and liabilities are initially recorded at their fair value (at trade date, if relevant). In the case of items which will not be carried at fair value through profit or loss, this is then adjusted for directly attributable acquisition costs. The main exception is trade receivables which do not contain a significant financing component, which are initially recorded at transaction price. After recognition, financial assets are carried at a value measured in accordance with their classification, as set out above. Impairment requirements also need to be reflected for items at amortised cost or at fair value through other comprehensive income. Similarly, financial liabilities are measured in accordance with their classification.

Impairment
IFRS 9 moves to an expected loss model of accounting for impairments compared with IAS 39 incurred loss model. Under the new model, expected credit losses are recognised from the point at which a financial asset is initially recognised.

Hedge Accounting
IFRS 9 contains hedge accounting conditions that are more liberal than those of IAS 39. Whilst hedge accounting remains optional, the simplicity that IFRS 9 introduces is likely to extend its use.

Transitional Provisions
While IFRS 9 is a fairly straightforward standard, its transitional provisions are complex. The basic requirement is that IFRS 9 is to be applied retrospectively, but there is a very wide range of exceptions to this general principle. In particular, there is no requirement to restate prior periods.

- IFRS 10, ‘Consolidated Financial Statements’. The amendment clarifies the application of the consolidation exemption for investment entities.

- IFRS 12, ‘Disclosure of Interests in Other Entities’. The standard has been amended as part of the IFRS 10 consolidation exemption for investment entities amendment and is effective retrospectively for accounting periods beginning on or after 1 January 2016, with early application permitted. The amendment ensures consistency with IAS 27, in that disclosure is to be provided in accordance with IFRS 12, when an investment entity measures all its subsidiaries in its financial statements at fair value through profit or loss in accordance with the IFRS 10 investment entity consolidation exemption.

1. Statement of significant accounting policies (continued)

Basis of preparation

These financial statements are presented in Sterling (£) as that is the company's functional currency and the currency in which the majority of the company's transactions are denominated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

The following significant accounting policies have been adopted in the preparation of this report:

a. Going concern

The directors are of the opinion that the company has adequate resources to enable it to undertake its planned activities for a period of at least one year from the date that the financial statements are approved.

b. Current and deferred corporation tax

The company is a mutual trader and is therefore not liable to corporation tax on surpluses generated from mutual trade. The tax charge for the period is based on the profit for the year from non-mutual trade, adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future profits will be available against which deductible temporary differences can be utilised.

The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

1. Statement of significant accounting policies (continued)

c. Impairment

The carrying value of all assets are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of all assets is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which it belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of the asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

d. Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and is net of bank overdrafts.

e. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue is derived wholly from the provision of seconded staff in the United Kingdom. Revenue is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of value added tax (VAT).

f. Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax (VAT), except:

i. Where the amount of VAT incurred is not recoverable from the taxation authority, it is recognised a part of the cost of acquisition of an asset or as part of an item of expense; or
ii. For receivables and payables, which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The VAT component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

1. Statement of significant accounting policies (continued)

g. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised at cost.

h. Share capital

Ordinary shares are classified as equity.

i. Employee benefits

The company contributes to a defined benefits scheme operated on behalf of its employees.

The employees of LPFE Limited participate in the Lothian Pension Fund, which is part of the Local Government Pension Scheme in Scotland and is administered by the City of Edinburgh Council.

The current service cost for the period is charged to the Statement of Profit or Loss and Other Comprehensive Income. The assets of the scheme are held separately from those of the company in independently administered funds. The company has fully adopted the accounting principles as required by International Accounting Standard 19 – Employee Benefits.

The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in a currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

j. Financial instruments

Financial assets and financial liabilities are recognised when the Company has become party to the contractual provisions of the instrument.

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the statement of comprehensive income.

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1. Statement of significant accounting policies (continued)

j. Financial instruments (continued)

Trade payables
Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Financial liabilities
Financial liabilities are classified according to the substance of the contractual arrangements entered into.

An instrument will be classified as a financial liability when there is a contractual obligation to deliver cash or another financial asset to another enterprise.

Loans
All interest bearing loans and other borrowings are initially recorded at fair value, which represents the fair value of the consideration received, net of any issue costs associated with other borrowings. Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

Finance charges, including premiums payable on settlement or redemption, are accounted for on an amortised cost basis to the statement of comprehensive income using the effective interest method, being recognised in the statement of comprehensive income over the term of such instruments at a constant rate on the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

k. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

l. Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates – defined benefit pension obligation

IAS 19, Employee Benefits requires that certain assumptions are made in order to determine the amount to be recorded for retirement benefit obligations and pension plan assets. These are mainly actuarial assumptions such as expected inflation rates, long-term increase in health care costs, employee turnover, expected return on plan assets and discount rates. Substantial changes in the assumed development of any one of these variables may significantly change the Group's retirement benefit obligation and pension assets (see note 15).

2. Loss from operations

	2016 £
Loss from operations has been determined after deducting:	
Auditors' remuneration:	
Audit services	4,750
Non-Audit services	2,250

3. Finance costs

	2016 £
Loan interest payable to group entities (note 14)	968
Pension interest costs (note 15)	9,000
	9,968

4. Corporation tax expense

	2016 £
Current tax credit for the period	(5,335)
Deferred tax	-
Corporation tax credit for the period	(5,335)

The credit for the year can be reconciled to the loss per the income statement as follows:

	2016 £
Loss for the year before taxation	(65,789)
Loss for the year at the effective rate of corporation tax of 20%	(13,158)
Effects of:	
Expenses not deductible for tax purposes	7,872
Group relief surrendered	5,286
Due from group entities for losses surrendered	(5,335)
Current tax credit	(5,335)

5. Employee Benefits Expense

The average number of persons employed by the company during the period was 11.

The aggregate payroll costs of these persons were as follows:

	2016 £
Wages and salaries	649,120
Social security costs	67,389
Defined benefit pension obligation - current service cost	174,000
	890,509

6. Directors' Remuneration

One director received emoluments from the company during the period. The director's emoluments for the period were as follows:

	2016 £
Aggregate emoluments	78,384
Employer pension contributions	16,068

The director had an accrued pension of £13,919 (1 May 2015: £11,891) and a lump sum of £10,973 (1 May 2015: £10,585) at the end of the period.

7. Trade and other receivables

	2016 £
Trade receivables	-
Other debtors	27,295
Amounts due from group entities	102,366
Prepayments and accrued income	20
	129,681

The directors consider the fair value of receivables to be in line with their carrying values.

8. Cash and cash equivalents

	2016 £
Cash at bank and in hand	5,065

9. Current liabilities

	2016 £
Social security and other taxes	96,116
Accruals and deferred income	36,775
Trade payables	308
	133,199

10. Deferred tax

	2016 £
Deferred tax asset	
Charge for the year to profit or loss	
Charge for the year to other comprehensive income	36,000
At 31 March 2016	36,000

The elements of deferred tax are as follows:

	2016 £
Pension scheme liability	36,000
	36,000

11. Share Capital

	2016 £
Allotted, called up and fully paid	
Ordinary shares of £1 each	1
	1

One ordinary share of £1 was issued at par value on incorporation.

12. Reserves

	Retained Earnings £
Loss for the period	(60,454)
Transfer of opening retirement benefit obligation	(281,000)
Actuarial gains on retirement benefit obligation	163,000
Deferred tax on retirement benefit obligation	36,000
At 31 March 2016	(142,454)

13. Ultimate controlling party

By virtue of its controlling interest in the company's equity capital, the City of Edinburgh Council is the ultimate controlling party. The company's immediate parent is Lothian Pension Fund and the company's individual accounts are consolidated into Lothian Pension Fund's consolidated accounts.

Group accounts are available to the public from the following address:

Acting Executive Director of Resources
City of Edinburgh Council
Waverley Court
Edinburgh
EH8 8BG

14. Related party transactions

	2016 £
Lothian Pension Fund (pension fund administered by ultimate parent):	
Sale of services during the period	819,720
Receivables at the period end	90,874
City of Edinburgh Council (ultimate parent):	
Loan facility balance (receivable) at the period end	6,157
Interest payable during the period	968
Interest payable but not yet paid at the period end	194

The company has a loan facility agreement with the City of Edinburgh Council for the purpose of the provision of short term working capital. The current agreement covers the period to 1 May 2020 and provides that interest is payable at 2% above the Royal Bank of Scotland base lending rate on the daily balance. In order to minimise the amount of interest payable, the company returns any cash not immediately required and this can result in short periods when the company has returned more cash than has been drawn. On such days the loan interest is negative, reducing the amount of interest payable.

During the year the company surrender the losses of £5,335 to Lothian Buses Limited, another group company.

Total compensation paid in relation to key management personnel during the period was as follows:

	2016 £
Short-term employee benefits	318,192
Post-employment benefits - employer pension contributions	65,228
	383,420

Key management personnel had accrued pensions totalling £68,004 (1 May 2015: £57,741) and lump sums totalling £92,156 at the end of the period (1 May 2015: £86,021).

15. Retirement benefits obligation

On 1 May 2015 the company commenced trading and its staff transferred their employment from the City of Edinburgh Council to the company on that date. On 1 May the company also entered into appropriate admission arrangements with the City of Edinburgh Council with respect to the transferring individuals continuing to be members of the Lothian Pension Fund and in relation to its obligations as an employer in that fund.

The Lothian Pension Fund, which is administered by the City of Edinburgh Council, is part of the Local Government Pension Scheme in Scotland. This is a pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit or loss so as to spread the cost of pensions over employees' working lives. The contributions are determined by a qualified actuary.

The valuation of the pension fund is carried out triennially. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at 31 March 2014 by Hymans Robertson LLP. The present value of the defined benefit obligation, and related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Scheme assets

The company's share of the fair value of the scheme's assets which are not intended to be realised in the short term and may be subject to significant change before they are realised, were comprised as follows:

	%	31 March 2016 £'000	%	1 May 2015 £'000
Equity Securities:				
Consumer	15%	319	15%	277
Manufacturing	12%	247	12%	209
Energy and Utilities	8%	167	10%	181
Financial Institutions	8%	178	8%	140
Health and Care	7%	139	7%	129
Information Technology	6%	126	6%	106
Other	6%	120	5%	96
Debt Securities:				
UK Government	6%	135	6%	104
Other	3%	53	2%	45
Private Equity:				
All	4%	92	5%	88
Real Estate:				
UK Property	9%	179	8%	143
Investment Funds and Unit Trusts:				
Commodities	0%	6	0%	6
Bonds	1%	17	0%	5
Infrastructure	7%	139	6%	101
Other	2%	50	2%	37
Derivatives:				
Foreign exchange	0%	0	1%	11
Cash and Cash Equivalents:				
All	6%	130	8%	148
	100%	2,097	100%	1,826

15. Retirement benefits obligation (continued)

The amounts recognised in the statement of financial position are determined as follows:	**2016 £'000**
Fair value of plan assets	2,097
Present value of scheme liabilities	(2,277)
Net pension (liability)/asset	(180)

The movement in the defined benefit obligation during the period was as follows:

	2016 £'000
At 1 May 2015	2,107
Current service cost	174
Interest cost on obligation	69
Plan participants contributions	54
Benefits paid	0
Actuarial losses arising from changes in financial assumptions	(378)
Actuarial losses arising from changes in demographic assumptions	0
Other actuarial losses/(gains)	251
At 31 March 2016	2,277

The movement in the fair value of plan assets during the period was as follows:

	2016 £'000
At 1 May 2015	1,826
Benefits paid	0
Interest income on plan assets	60
Contributions by employer	121
Contributions by member	54
Contributions in respect of unfunded benefits	0
Unfunded benefits paid	0
Return on assets excluding amounts included in net interest	36
At 31 March 2016	2,097

The amounts recognised in the Statement of Profit or Loss are as follows:

	2016 £'000
Interest received on pension scheme assets	(60)
Interest cost on pension scheme liabilities	69
Finance cost/(income)	9
Current service cost	174
	183

15. Retirement benefits obligation (continued)

Amounts recognised in Other Comprehensive Income:

	2016 £'000
Transfer of opening retirement benefit obligation on 1 May 2015	(281)
Actuarial gains due to remeasurement of the defined benefit obligation	127
Return on assets (excluding amounts included in profit or loss)	36
	(118)

The principal actuarial assumptions used in this valuation were:

	31 March 2016	**1 May 2015**
Inflation/pension increase rate	2.2%	2.7%
Salary increase rate	4.2%	4.6%
Discount rate	3.6%	3.4%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. Best estimate has been interpreted to mean that the proposed assumptions are 'neutral' – there is an equal chance of actual experience being better or worse than the assumptions proposed.

The financial assumptions used for reporting in the financial statements are the responsibility of the employer. These assumptions are largely prescribed at any point and reflect market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate can have a significant effect on the value of the liabilities reported.

A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of a similar magnitude. There is also uncertainty around life expectancy of the UK population – the value of current and future pension benefits will depend on how long they are assumed to be in payment.

Mortality rates:

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2012 model assuming current rates of improvements have peaked and will converge to a long term rate of 1.25% p.a.

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male	**Female**
Current pensioners	22.1 years	23.7 years
Future pensioners	24.2 years	26.3 years

Expected employer contributions to the defined benefit plan for the year ended 31 March 2017 are £132,000, based on a pensionable payroll cost of £646,000.

16. Financial Risk Management

The company's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

The company did not enter into any transactions that would be classed derivative financial instruments during the period.

The totals for each category of financial instruments, measured in accordance with IAS 39 and detailed in the accounting policies, are as follows:

	Note	2016 £
Financial Assets		
Cash and cash equivalents	8	5,065
Trade and other receivables	7	129,681
Total Financial Assets		134,746
Financial Liabilities		
Financial liabilities at amortised cost:		
Trade and other current payables	9	133,199
Total Financial Liabilities		133,199

Financial Risk Management Policies

The company aims to manage its overall capital structure to ensure it continues to operate as a going concern. The company's capital structure represents the equity attributable to the shareholders of the company together with cash equivalents.

The Board is charged with the overall responsibility of establishing and monitoring the company's risk management policies and processes in order to identify, analyse and monitor the risks that are faced by the company. The company does not enter into or trade financial instruments for speculative purposes.

The main risks that the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk. These are managed as follows:

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contractual obligations that could lead to a financial loss to the company.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance sheet date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements. As at 31 March 2016 none of the company's financial assets were past due or impaired.

Credit risk is managed and reviewed regularly by senior management. It mainly arises from amounts owed by customers.

16. Financial Risk Management (continued)

a. Credit risk (continued)

The nature of the company's is business means that it currently only has two customers. By far the largest customer is the City of Edinburgh Council and the company is securely funded by the Council. The smaller customer is Falkirk Council. Given the financial stature of both Councils the credit risk faced by the company is considered to be very small.

b. Liquidity Risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its financial obligations as they fall due. The company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities; and
- ensuring that adequate unutilised borrowing facilities are maintained.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Financial liability and financial asset maturity analysis

	Note	Within 1 Year 2016 £	1 to 5 Years 2016 £	Total 2016 £
Financial liabilities due for payment				
Trade and other payables	9	(133,199)	-	(133,199)
Total expected outflows		(133,199)	-	(133,199)
Financial assets — cash flows realisable				
Cash and cash equivalents	8	5,065	-	5,065
Trade, term and loan receivables	7	129,681	-	129,681
Total anticipated inflows		134,746	-	134,746
Net inflow of financial instruments		1,547	-	1,547

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows as presented in the table (to settle financial liabilities) reflects the earliest contractual settlement dates.

16. Financial Risk Management (continued)

The company has been granted a £250,000 unsecured revolving loan facility by its parent, The City of Edinburgh Council. The ceiling of the facility has been set at a level to ensure sufficient cash is available to meet the company's short-term cash flow needs, should there be a delay in the City of Edinburgh Council settling invoices for seconded staff.

c. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's financial position. The company has no direct exposure to movements in foreign exchange or equity prices, and has very little exposure to interest rate movements, due to the low level of borrowing. The company monitors this risk but the directors are of the opinion that it is very unlikely to have a significant effect on the company's financial position.