

GLA Land and Property Limited
Annual Report and Financial Statements

1 April 2017 to 31 March 2018

AUDITED

Registered Office
55 Broadway
London, SW1H 0BD

Registered in England and Wales
07911046

Directors' Report

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Directors' Report

Introduction

The directors present their report on the affairs of GLA Land and Property Limited (the "Company"), (registration number 07911046), together with the unaudited financial statements for the accounting period of 1 April 2017 to 31 March 2018 ("accounting period").

The Company has prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

Principal activities

The principal activities of the Company are the purchase, sale and development of land or property, and the holding of land or property for capital growth or rental.

Share capital

The Company had one share in issue at 1 April 2017 and 31 March 2018.

Articles of Association

The Articles of Association set out the basic management and administrative structure of the Company. They regulate the internal affairs of the Company and cover such matters as the issue and transfer of shares, Board and shareholder meetings, powers and duties of Directors and borrowing powers. In accordance with the Articles of Association, Directors can be appointed or removed by shareholders in a general meeting.

The Articles may only be amended by special resolution at a general meeting of shareholders. Copies are available by writing to the Company Secretary and are also available from Companies House.

Directors

The directors who served during the accounting period were:

Mr Martin Clarke
Mr David Lunts
Mr David Bellamy
Mr James Murray
Mr Simon Powell (appointed 1 August 2017)

None of the directors had any beneficial interest in the shares of the Company, its joint venture or associate.

There were no contracts of significance during the financial period in which a Director is or was materially interested.

Directors' indemnities

The Greater London Authority indemnifies the Directors to the maximum extent permitted by law in respect of all costs, charges, expenses, losses and liabilities, which they may incur in or about the execution of their duties to the Company or any entity which is an associated company (as defined in Section 256 of the Companies Act 2006), or as a result of the duties performed by the Directors on behalf of the Company or any such associated company.

Directors' Report

Shareholders

100% of the share capital in the Company is held by Greater London Authority Holdings Ltd.

Sustainability

The Company complies with the sustainability policies of the Greater London Authority.

Essential contracts

The Company has contractual and other arrangements with numerous third parties in support of its business activities. None of the arrangements is individually considered to be essential to the business of the Company.

Payment of creditors

It is the Company's policy to abide by the agreed payment terms where a supplier has provided the goods and services in accordance with the relevant terms and conditions of contract. In addition, it is the company's policy to pay small and medium sized entities within 10 working days.

Risk management

The Company has a risk management process and arrangements that enable it systematically to identify, assess, manage and monitor business risks.

Employees

The Company has no directly employed staff. Staff employed by the Greater London Authority, perform duties on behalf of GLA Land and Property Limited and their time and related overheads are recharged to the Company at cost.

Charitable and political donations

No charitable or political donations were made during the accounting period.

Trading results and dividends

The Company's profit after taxation was £26 million. It is not proposed to declare a dividend for the period 1 April 2017 to 31 March 2018.

Independent auditors and disclosure of information to the auditors

Pursuant to a Directors' resolution, the Company appointed Ernst & Young as external auditors.

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Report

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Martin Clarke
Director

July 2018

Strategic Report

GLA Land and Property Limited (GLAP) inherited 635 hectares of land in April 2012 with a value at that time of £365m. All of the land inherited has now either been developed, is in the course of development, is contractually committed for development or is currently being marketed for development. This is with the aim of encouraging investment, creating jobs and helping meet London's housing needs.

The most significant single development that GLAP owns is Greenwich Peninsula which, in recognition of the level of national investment in the site, is subject to a receipt-sharing agreement with the Ministry for Housing, Communities and Local Government (MHCLG) and the Big Lottery Fund.

GLAP has a development agreement with Knight Dragon Development Limited (a Chinese owned company) for the Peninsula. In total 15,720 homes and circa 12,000 jobs will be created in that area. To date over 1,565 homes have been completed and a further 1,007 homes are under construction.

Master Development Agreements are in place for all three major sites in the Royal Docks:

- Silvertown Quays: GLAP is in contract with The Silvertown Partnership (TSP). TSP secured outline planning consent in August 2016 for a circa 7.2m square feet development. TSP are in discussions with a funder to bring forward the first phase of development;
- Royal Albert Dock: GLAP is in contract with development partner ABP (London) Investment Limited – a subsidiary of Dauphin Holdings Group Limited, a major Chinese developer – to develop this site primarily for business use and some ancillary residential accommodation, with a focus on Far Eastern businesses who wish to trade with the UK and Europe. Planning consent was granted in December 2015 for a circa 4.7m square feet development. The first phase (circa 600,000 square feet) is half way through construction with completion expected in spring 2019; and
- Albert Island: GLAP has entered into contract with a developer to deliver circa 1m square feet of employment space, including a new commercial boatyard.

During 2017/18 GLAP concluded procurement exercises and entered contracts on two residential sites – Webbs Site in LB Waltham Forest with Swan and Catalyst, which will deliver 330 homes (100% affordable), and Gallions 3B in LB Newham with Notting Hill, which will deliver 236 homes (50% affordable).

During 2017/18 the first phase of East+, a joint venture with Segro in east London, was completed totalling nearly 300,000 square feet of mixed tenure industrial space and a new enterprise quarter for small companies. An Anaerobic Digestion plant was also completed by Saria/ReFood on land at the London Sustainable Industries Park in LB Barking and Dagenham. Pontoon Dock in LB Newham started on site which will provide 236 homes (154 build to rent and 82 affordable).

In 2017 the Mayor established a £250m Land Fund to acquire land and prepare land for new and affordable housing. It is intended that the funding will recycle over time to continue unlocking opportunities across the capital.

An Investment Committee has been established to provide leadership and direction over the Land Fund's investments. The Fund acquired its first site acquired in March 2018.

During 2017/18 GLAP achieved a surplus of £34m on property disposals, a £11m fair value gain on investment properties offset by £7m in overage payments and other financing and operating costs; resulting in a profit after tax of £26m. This will be reinvested in the core activities of encouraging investment, creating jobs and helping meet London's housing needs.

Strategic Report

The principal risks and uncertainties facing GLAP relate to the state of the economy in general, with London in particular and continuing challenges in the housing market in London.

Martin Clarke
Director

July 2018

Statement of Directors' Responsibilities

In respect of the Directors' Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with Adopted IFRSs; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLA LAND AND PROPERTY LIMITED

Opinion

We have audited the financial statements of GLA Land and Property Limited for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes¹ to 30, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- ▶ give a true and fair view of the company's affairs as at 31 March 2018 and of its profit for the year 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.
- ▶

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLA LAND AND PROPERTY LIMITED

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLA LAND AND PROPERTY LIMITED

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it

exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Karl Havers (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
21 July 2018

Notes:

1. The maintenance and integrity of the Greater London Authority web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Comprehensive Income

	Notes	2017/18		2016/17	
		£000	£000	£000	£000
Continuing operations					
Income from property disposals		(62,065)		(27,309)	
less Greenwich Peninsula disposal proceeds shared with third parties	4	10,593		7,424	
Rental and other property income		(9,237)	(60,709)	(8,683)	(28,568)
Cost of sales	5,17	16,536		17,709	
Estate management costs	5	10,271	26,807	8,448	26,157
Gross (profit) / loss			(33,902)		(2,411)
Compulsory purchase order costs	5	(91)		(1,938)	
Professional fees and other costs	5	4,022		2,649	
Administrative expenses	5	7,198		6,233	
Overage payable		7,571		-	
Contributions payable		-		50	
Other expenses	6,8	1,945		385	
(Profit) /loss from operations			(13,257)		4,968
Net (increase)/decrease in fair value of investment property	11	(10,926)		(15,751)	
Other income	7	(12,121)		(18,955)	
Finance income	8	(7,724)		(5,830)	
Finance costs	8	11,851		10,418	
(Profit)/loss before tax			(32,177)		(25,150)
Tax	16	6,669		2,459	
(Profit)/loss for the period			(25,508)		(22,691)
Other comprehensive (income)/expense:					
Items that will never be reclassified to profit and loss					
Revaluation of property, plant and equipment		(2,437)		(3,229)	
Deferred tax on revalued property, plant and equipment	16	(89)		(253)	
Items that are or may be reclassified to profit and loss					
Net change in fair value of available-for-sale financial assets	13	413		(5,011)	
Deferred tax on revalued available for sale assets	16	2,227		-	
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	13	3,474		3,507	
Other comprehensive (income)/expense, net of tax			3,588		(4,986)
Total comprehensive (income)/expense recognised for the period			(21,920)		(27,677)

Statement of Financial Position

	Note	31 March 2018 £000	31 March 2017 £000
Non-current assets			
Property, plant and equipment	10	21,320	21,570
Investment property	11	72,058	68,042
Loan investments - Non Current	12	114,686	62,720
Investment in Limited Partnership		1	-
Available for sale financial assets	13	42,624	50,332
Finance lease receivables -Non Current	14	84,230	132,786
Trade and other receivables - Non Current	15	56	180
Total Non-current assets		334,975	335,630
Current assets			
Inventories	17	258,484	219,207
Loan investments - Current		415	60
Finance lease receivables - Current	14	57,655	14,850
Trade and other receivables - Current	15	21,659	21,058
Cash and cash equivalents	18	26,993	9,345
Total current assets		365,206	264,520
Total assets		700,181	600,150
Current liabilities			
Borrowings and overdrafts - Current	21,22	(110,709)	(63,371)
Trade and other payables - Current	19	(25,660)	(16,627)
Finance lease liabilities - Current	20	(1)	(1)
Provisions - Current	23	(2,795)	(1,142)
Total current liabilities		(139,165)	(81,141)
Non-current liabilities			
Borrowings - Non Current	21,22	(280,000)	(265,000)
Trade and other payables - Non Current	19	(11,926)	(12,116)
Finance lease liabilities - Non Current	20	(38)	(39)
Provisions - Non Current	23	(1,997)	(940)
Deferred tax liability	16	(11,827)	(7,606)
Total non-current liabilities		(305,788)	(285,701)
Total liabilities		(444,953)	(366,842)
Net assets		255,228	233,308
Equity			
Revaluation reserve	27	(25,232)	(22,706)
Fair value reserve	27	(23,734)	(29,848)
Pooling of interests reserve	27	(120,745)	(120,745)
Retained earnings		(85,517)	(60,009)
Total equity		(255,228)	(233,308)

The Company has one £1 share which is held by the Greater London Authority Holdings Limited.

The financial statements were approved by the Board and authorised for issue on 31 May 2018. The financial statements also comprise the notes on pages 16 to 54.

Martin Clarke
Director

Statement of Changes in Equity

as at 31 March 2018

	Note	Share capital £000	Pooling of interests reserve £000	Fair Value reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
At 1 April 2017		-	(120,745)	(29,848)	(22,706)	(60,009)	(233,308)
(Profit)/loss for the year			-	-	-	(25,508)	(25,508)
Revaluation of property, plant and equipment	10	-	-	-	(2,437)	-	(2,437)
Net change in the fair value adjustments on available-for-sale financial assets less amounts reclassified to profit or loss	13	-	-	3,887	-	-	3,887
Tax on items above	16	-	-	2,227	(89)	-	2,138
Total comprehensive (income)/expense recognised in year		-	-	6,114	(2,526)	(25,508)	(21,920)
Issue of shares		-	-	-	-	-	-
At 31 March 2018		-	(120,745)	(23,734)	(25,232)	(85,517)	(255,228)

The Company has issued one £1 share which is held by Greater London Authority Holdings Limited

Statement of Changes in Equity

as at 31 March 2017

	Note	Share capital £000	Pooling of interests reserve £000	Fair Value reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
At 1 April 2016		-	(120,745)	(28,344)	(19,224)	(37,318)	(205,631)
(Profit)/loss for the year		-	-	-	-	(22,691)	(22,691)
Revaluation of property, plant and equipment	10	-	-	-	(3,229)	-	(3,229)
Net change in the fair value adjustments on available-for-sale financial assets less amounts reclassified to profit or loss	13	-	-	(1,504)	-	-	(1,504)
Tax on items above	16	-	-	-	(253)	-	(253)
Total comprehensive (income)/expense recognised in year		-	-	(1,504)	(3,482)	(22,691)	(27,677)
Issue of shares		-	-	-	-	-	-
At 31 March 2017		-	(120,745)	(29,848)	(22,706)	(60,009)	(233,308)

The Company has issued one £1 share which is held by Greater London Authority Holdings Limited.

Statement of Cash Flows

For the period ended 31 March	Notes	2018 £000	2017 £000
(Profit)/loss for the year		(25,508)	(22,691)
Adjustments to profit or loss for non-cash movements	26	26,234	66,989
Adjustments for items included in the profit or loss that are investing and financing activities	26	3,970	4,019
Net cash flows from Operating Activities		4,697	48,317
Investing Activities	26	38,562	15,345
Financing Activities		(60,907)	(7,944)
Net (increase) or decrease in cash and cash equivalents		(17,648)	55,718
Cash and cash equivalents at the beginning of the reporting period		(9,345)	(65,063)
Cash and cash equivalents at the end of the reporting period	18	(26,993)	(9,345)

Notes to the Financial Statements

1. Reporting entity

GLA Land and Property Limited (the “Company”) is a company domiciled in the United Kingdom. The Company’s registration number is 07911046 and its registered office is 55 Broadway, London, SW1H 0BD.

2. Changes in accounting policies and prior period adjustments

The Company has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements. The Company has not adopted any new standards and amendments to standards with a date of initial application in the Company’s financial statements of 1 April 2017.

No adjustments have been made to the prior year’s figures.

3. Statement of accounting policies

This section explains the Company’s main accounting policies.

a) Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The unaudited financial statements were authorised for issue by the Board of Directors on 31 May 2018.

Basis of measurement

The accounts are made up to 31 March and have been prepared under the accruals concept and in accordance with the historical cost accounting convention, modified by the revaluation of certain categories of non-current assets and financial instruments.

Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader’s understanding of the Company’s financial performance.

Associates and joint ventures

The Company has interests in other entities that have the nature of associates and joint ventures. In the Company’s accounts, the interests in these entities are recorded as financial assets at cost, less any provision for losses.

b) New standards and interpretations

Standards and interpretations issued by the International Accounting Standards Board (‘IASB’) are only applicable if endorsed by the EU.

The following revisions to IFRS will be applicable to the Company in future periods, subject to endorsement where applicable. The Company does not plan to adopt this standard early:

IFRS 9 Financial Instruments (2010) (effective date annual periods beginning on or after 1 January 2018) modifies the classification and measurement of certain classes of financial assets and liabilities. The most significant change is to rationalise the primary categories of financial assets to amortised cost and fair value through profit and loss, and to allow an entity to elect to present in Other Comprehensive Income changes in fair value of equity instruments that are not held for trading. The new standard could change how the Company classifies financial instruments and recognises changes

Notes to the Financial Statements

in fair value. The most significant impact would be on equity mortgages that are currently classified as available for sale with changes in fair value reported in Other Comprehensive Income. Under IFRS 9 the equity mortgages would be classified as fair value through profit and loss and this would increase the volatility of the reported profit or loss as changes in value would be taken to the profit or loss at the end of each reporting period rather than on disposal of the financial instrument. The new standard will be applicable to the Company's financial statements from 2018/19 onwards.

IFRS 16 Leases (effective date annual periods beginning on or after 1 January 2019) - The new standard will be applicable to the Company's financial statements from 2019/20 onwards. The new standard will require lessees to recognise assets and liabilities of both operating and financial leases on the balance sheet, at present these are only recognised for finance leases. At present the Company does not lease in any assets on operating leases so the new standard will not have an impact on the Company's financial statement.

IFRS 15 Revenue from Contracts with Customers (effective date annual periods beginning on or after 1 January 2018) - The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The new standard will be applicable to the Company's financial statements from 2018/19 onwards. It is not anticipated that these will have a material impact on the financial statements.

The Company does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

c) Uses of estimates and judgements

The preparation of the financial statements in conformity with Adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is disclosed below:

Carrying value of inventory - The Company holds land and buildings for sale and also for development and subsequent sale. Annual valuation reviews are undertaken to identify property held for sale or developments in progress where the Statement of Financial Position value is more than the lower of cost or net realisable value.

By its nature, this process involves a significant amount of estimation uncertainty, particularly given the complexity of some of the Company's properties, and the current market conditions. Valuations are performed by qualified independent external valuers. The methods used by the valuers in determining realisable value are listed below. All rely heavily on the use of assumptions and judgements.

- Comparison method – used when there is market evidence of land sale prices for sites with broadly similar development characteristics. Adjustments are then made for timing of the comparable transaction, size of the site, location, ground conditions and planning;

Notes to the Financial Statements

- Residual method - the valuers assess the gross development value of an assumed completed scheme and make deductions of the estimated future costs of development (including developer's profit, remediation costs and finance) to arrive at the underlying residual site value;
- Income approach – used for sites subject to a Development Agreement with contracted receipts to the Company. On this valuation basis the receipts are discounted to arrive at the present value at a rate of return which represents the time value of money and the relative risks of the capital receipt.

In calculating the net realisable value, a deduction is required for disposal costs. Market evidence suggests that 3.5% is a reasonable estimate, and comprises marketing and miscellaneous costs 2%, agents' fees 1% and legal fees 0.5%.

Where the estimated net realisable value is less than its carrying value within the Statement of Financial Position, the Company impairs the carrying value. In the period to 31 March 2018, this review resulted in a £7.8m impairment charge (2016/17 - £6.9m) offset by a reversal of £3.4m of previous impairments (2016/17 £1.7m) See note 17 for further details.

Fair value of investment properties - For income producing properties, the valuers adopt an investment approach where they apply a capitalisation rate, as a multiplier, against the current and, if any, reversionary income streams. Following market practice, the valuations adopt hard-core methodology where the reversions are generated from regular short-term uplifts of market rent. A term and reversion approach is normally applied where the next event is one which fundamentally changes the nature of the income or characteristics of the investment. Where there is an actual exposure or a risk thereto of irrecoverable costs, including those of achieving a letting, an allowance is reflected in the valuation.

Property valuations are based on current intentions for assets, contracts and tendering activity. In particular, the asset valuations are subject to assumptions around the levels of affordable housing, which is a factor in determining the highest and best use. Current levels of assumed affordable housing are subject to uncertainty, since the developments are expected to be self-funding whilst supporting the London-wide ambition to achieve a level of 50% of affordable housing on new developments. The level assumed in the valuation at 31 March 2018 is therefore a judgement. As the London Plan is confirmed it is possible that some affordable housing levels on some sites might increase, which would lead to a decrease in value. The Greater London Authority's ("GLA") current policy, however, is that sites should be commercially viable, which will limit affordable housing levels on a number of sites.

The assessment of rental values is formed purely for the purposes of assisting in the formation of an opinion of capital value and is generally on the basis of Market Rent, as defined in the RICS Valuation - Professional Standards UK January 2014 (revised April 2015). Where circumstances dictate that it is necessary to utilise a different rental value in the capital valuation, the valuers will generally set out the reasons for this in their report.

Fair value of vacant buildings - In addition to the above methodology, the fair value of vacant buildings may also be valued and analysed on a comparison method with other capital value transactions where applicable.

Notes to the Financial Statements

Fair value of available for sale financial assets - Available for sale financial assets relate mainly to Equity Mortgages - amounts receivable individually from the private owners of housing units when their properties are sold and are secured by a second charge over their property.

Equity Mortgages are valued with reference to published house price indices (January 2018 data used as March 2018 was unavailable when the financial statements were being prepared). For equity interests in housing units, the fair value at the Statement of Financial Position date is calculated using movements in the Land Registry UK House Price Index for the London region, this being the most relevant available observable market data. However, these only provide an estimate of the fair value of these assets because house price indices cannot accurately predict the value of individual units and disposal proceeds to date, although a good indicator of market performance may not occur at the same level in the future.

At 31 March 2018, the asset recognised on the Statement of Financial Position was £42.6m (£50.3m at 31 March 2017). See note 13 for further details.

Depreciation of property, plant and equipment - Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in accounting policy (i). The selection of these residual values and estimated lives requires the exercise of management judgement. See note 10 for further details.

Leases - In assessing whether a lease is an operating lease or a finance lease, judgement needs to be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are held by the Company. Given that finance leases are recognised as liabilities, and operating leases are not, this can have a significant effect on the reported financial position of the Company. See notes 14 and 20 for further details.

Determining whether an arrangement contains a lease - When determining whether an arrangement contains a lease, as required by IFRIC 4, judgement needs to be exercised in determining whether the arrangement conveys the right to use an asset. Given that this could result in additional finance leases being recognised on the Statement of Financial Position this can have a significant effect on the reported financial position of the Company.

Provisions - Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Company. This can be very complex, especially when there is a wide range of possible outcomes. See note 23 for further details.

Classification of investment properties - IAS 40 *Investment properties* ("IAS 40") requires that properties are classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals. To comply with IAS 40, judgement needs to be exercised in determining whether these properties should be classified as investment properties in accordance with IAS 40. As investment properties are valued at fair value, with movements in the fair value being recorded in the Statement of Comprehensive Income, this could have a significant effect on the financial performance of the Company. In 2017/18 there was an increase of £5.5m (£15.8m increase in 2016/17) in the fair value of investment properties. See note 11 for further details.

d) Going concern

The financial statements have been prepared on a going concern basis and the directors believe this basis to be appropriate for the following reasons:

The performance of the Company has strengthened in year with the Company achieving a profit for the period of £24.2m (£22.7m profit for period ended 31 March 2017); this performance has

Notes to the Financial Statements

strengthened the balance sheet with net assets currently totalling £258m (£233m at 31 March 2017). Further to this, the Company's liquidity position is assured as the Greater London Authority has provided written assurances to the Company's directors that, so long as the Company is a subsidiary of the GLA, the GLA will continue to make sufficient monies available to the Company to enable it to meet all its debts as they fall due.

The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

e) Revenue

Revenue comprises the fair value of the consideration received or receivable, net of value added tax.

Revenue is recognised as follows:

Development properties and land sales

Revenue is recognised in the Statement of Comprehensive Income when the significant risks and rewards of ownership have been transferred to the purchaser. It is considered that risks and rewards pass on legal completion. Revenue in respect of residential properties is recognised at the fair value of the consideration received or receivable on legal completion.

Rental income

Rental income from investment property is recognised on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Grants and contributions

Both monetary and non-monetary grants and contributions, in recognition of specific expenses are recognised in profit or loss in the same period as the relevant expenses. Where grants are received in advance of the relevant expense being incurred, the grant is initially held as deferred income and recognised in profit or loss when the expense is incurred. Similarly, grants related to depreciable assets are recognised in profit or loss over the periods and in the proportions in which depreciation expense on those assets is recognised. Grants related to non-depreciable assets that require the fulfilment of certain obligations are recognised in profit or loss over the periods that bear the cost of meeting the obligations. Non-monetary grants are measured at their fair values.

f) Leases

Leases (the Company as lessee)

Leased assets

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Company's Statement of Financial Position.

Notes to the Financial Statements

Lease payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

Leases (the Company as lessor)

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases and initial direct costs are recognised on a straight line basis over the term of the relevant lease.

g) Financing income and expenses

Financing and investment income comprises interest income on funds invested. Interest income is recognised as it accrues in the Statement of Comprehensive Income, using the effective interest rate method.

Financing and investment costs comprise interest expense on borrowings and the finance lease liabilities. Borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest rate method.

h) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Notes to the Financial Statements

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority and the Company intends to settle the current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

i) Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Company and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets are then carried in the Statement of Financial Position using the following measurement bases:

Property - fair value, where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Non-property assets that have short useful lives or low values (or both) - depreciated historical cost basis as a proxy for fair value.

Notes to the Financial Statements

Assets included in the Statement of Financial Position at fair value are revalued annually to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down and charged to the Statement of Comprehensive Income.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down and charged to the Statement of Comprehensive Income.

Where an impairment loss is reversed subsequently, the reversal is credited in other comprehensive income and increases the revaluation surplus for that asset. However, if the previous impairment loss was previously recognised in profit or loss, the reversal is recognised in profit or loss, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation applies to all items of property, plant and equipment whether held at historical cost or revalued amount, with the exception of land where it can be demonstrated that the asset has an unlimited useful life.

The depreciation charge is based on the depreciable amount allocated over an asset's useful life. The methods of depreciation that reflect the pattern in which the future economic benefits or service potential of different assets are expected to be consumed, are determined as follows:

- Buildings: Straight-line allocation over the life of the property, generally between 10 and 60 years; and
- Vehicles, plant and equipment: Straight line allocation over the life of the asset generally between 3 and 30 years.

Depreciation ceases at the earlier of the date that items of property, plant and equipment are classified as held for sale and the date they are derecognised. Depreciation begins at the date of acquisition and is reset on revaluation.

Notes to the Financial Statements

The residual value of an item of property, plant and equipment, its useful life and depreciation method are reviewed at least at each financial year end and, if expectations differ from previous reviews or there has been a significant change in the pattern of consumption of future economic benefits or service potential, the change is accounted for as a change in accounting estimate.

Revaluation gains are also depreciated.

Component Accounting

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Statement of Financial Position is written off to Statement of Comprehensive Income as part of the gain or loss on disposal. Receipts from disposals are credited to the Statement of Comprehensive Income as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to Retained Earnings.

j) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes. Investment property is measured initially at cost and subsequently measured at fair value with any changes therein recognised in the Statement of Comprehensive Income.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in Other Income in the Statement of Comprehensive Income. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

If the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification will become its cost for subsequent accounting.

Investment properties held at fair value are not subject to depreciation.

Properties are valued annually by external professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines.

k) Inventories

Inventories are valued at the lower of cost and net realisable value.

Notes to the Financial Statements

Expenditure, of £20,000 and above, on direct materials, direct labour costs and those overheads which have been incurred in bringing the inventories to their present location and condition, is capitalised. Expenditure below £20,000 may be grouped and capitalised where practicable to do so.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised as inventory when the significant risks and rewards of ownership have been transferred to the Company.

Contributions of services that enhance inventory are measured by referring to the fair value of the services received.

Non-refundable land option payments are initially recognised in inventory and are written off to the Statement of Comprehensive Income when it is probable that they will not be exercised.

l) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

m) Contingent liabilities and assets

The Company recognises contingent assets and liabilities in line with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Contingent liability - A possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably.

Contingent liabilities are not recognised in the Statement of Financial Position but disclosed in a note to the accounts.

Contingent asset - A possible asset that arises from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent assets are not recognised in the Statement of Financial Position but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

n) Reserves

Retained earnings represent the accumulated surplus or deficit to date.

The Revaluation reserve contains the gains made from increases in the value of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired or are disposed of and the gains are realised.

Notes to the Financial Statements

The Fair Value reserve contains the movements in the fair value of available for sale financial assets; cumulative gains or losses previously reported in the fair value reserve are recognised in the profit or loss when the asset is derecognised or impaired.

The Pooling of Interests reserve contains the equity effect of the transfer of balances on 1 April 2012 from the Homes and Communities Agency and the now abolished London Thames Gateway Development Corporation and the London Development Agency.

o) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provision of the instruments.

Financial assets within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* ('IAS 39') are classified as:

- Financial assets at fair value through profit and loss;
- loans and receivables; or
- available for sale financial assets.

Financial liabilities within the scope of IAS 39 are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost.

The Company determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each financial year end. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus any directly attributable transactional costs. The exception to this is for assets and liabilities measured at fair value, where transaction costs are immediately expensed.

The subsequent measurement of financial instruments depends on their classification as follows:

Financial assets at fair value through profit and loss (held for trading)

Financial assets are classified as held for trading if they are acquired for sale in the short term. Assets are carried in the Statement of Financial Position at fair value with gains or losses recognised in profit or loss.

Loans and receivables

Loans, finance lease receivables, trade and other receivables are classified as 'loans and receivables'. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss, or available for sale. Such assets are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Loans

Loans are shown at amortised cost using the effective interest rate and are included within non-current assets.

Trade and other receivables

Trade and other receivables are measured at amortised cost less a provision for impairment. The provision is based on objective evidence that the company will not be able to recover all amounts due,

Notes to the Financial Statements

through a review of all accounts and experience of collecting outstanding balances. The net of these balances are classified as 'trade and other receivables' in the Statement of Financial Position.

Available for sale financial assets

Equity Mortgages

Equity mortgages were transferred from the Homes and Communities Agency ("HCA") to the Company on 1 April 2012. They represent the financial assistance provided to home buyers to buy a share in a new build home. The buyer took out a mortgage, which along with any deposit, was a minimum of 50% of the full purchase price of the property. In return the HCA provided up to 50% of the full property price. The assistance was paid to the participating housebuilder, not the buyer. As part of the sales agreement, the Company has an entitlement to a share of the future sales proceeds which will be equal to the initial percentage contribution. This is secured by a second charge on the property and is classified as an available for sale financial instrument and is stated at fair value.

Equity Mortgages are valued with reference to published house price indices (January 2018 indices). For equity interests in housing units, the fair value at 31 March is calculated using movements in the Land Registry House Price Index for the London region, this being the most relevant available observable market data. These however, only provide an estimate of the fair value of these assets because house price indices cannot accurately predict the value of individual units.

Equity Investments

Investments in private sector developments, where the returns are based on a share of the profitability of the scheme, are classified as available for sale and are stated at fair value.

Other equity investments that are not accounted for using the equity method are classified as available-for-sale financial assets where there is currently no intention to sell these financial assets. They are carried at cost in the financial statements if there is no active market for those companies and fair values cannot be reliably ascertained without undue cost or effort. Impairments are recognized if there are indications that fair value is lower than cost.

Gains or losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses for which any cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

Where the financial asset is disposed of, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated equity is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturity of less than or equal to ninety days.

Financial liabilities measured at amortised cost

All non-derivative financial liabilities are classified as financial liabilities measured at amortised cost.

Non-derivative financial liabilities are initially recognised at the fair value of the consideration received, less directly attributable issue costs. After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised or impaired, as well as through the amortisation process.

Trade and other payables

Notes to the Financial Statements

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

Interest bearing loans and borrowings

All loans and borrowings are classified as financial liabilities measured at amortised cost.

Obligations under finance leases

All obligations under finance leases are classified as financial liabilities measured at amortised cost.

Impairment of financial assets

Financial assets are assessed at each Statement of Financial Position date to determine whether there is any objective evidence of impairment. Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in the Statement of Comprehensive Income.

4. Sharing of Disposal Proceeds

The Ministry for Housing, Communities and Local Government and the BIG Lottery Fund are entitled to receive shares of the proceeds of certain land disposals on the Greenwich Peninsula after the deduction of agreed costs. In 2017/18, £2.4m was payable to the Big Lottery Fund (£1.7m in 2016/17) and £8.2m was payable to the MHCLG (£5.7m in 2016/17).

5. Expenditure by type

Period ended 31 March	2018	2017
	£000	£000
The operating profit or loss is stated after charging:		
Cost of inventory sold	12,146	12,496
Net write down/(reversal) of inventory to net realisable value	4,390	5,213
Compulsory purchase order provision release	(91)	(1,938)
Estate management costs	10,271	8,448
Administrative costs recharge from the GLA	4,315	3,700
Depreciation expense	2,652	2,232
Auditor's fees for the audit of these financial statements	140	112
S106 liability	1,900	-
Other administrative expenses	2,213	2,838
Total cost of sales and other costs	37,936	33,101

6. Other expenses

Period ended 31 March	2018	2017
	£000	£000
Impairment/(write back) loss on loans and receivables	31	637
Loss on initial recognition of loans and receivables	1,853	-
Impairment loss on property, plant and equipment	35	-
Fair Value & Impairment loss /(reversal) on available for sale financial assets	26	(252)
Total other expenses	1,945	385

Notes to the Financial Statements

7. Other income

Period ended 31 March	2018 £000	2017 £000
Net (gain)/loss on sale of investment property	(470)	295
Net (gain)/loss on disposal of available-for-sale financial assets reclassified from equity	(3,501)	(4,315)
Fees and charges	(20)	-
Overage	(7,949)	(6,267)
Other income	(181)	(8,668)
Total other income	(12,121)	(18,955)

8. Financial instruments - income, expenses, gains and losses

2017/18

	Financial Liabilities measured at amortised costs	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total
	£000	£000	£000	£000
Interest expense	11,849	-	-	11,849
Finance lease interest	2	-	-	2
Loss on initial recognition	-	1,852	-	1,852
Fair Value & Impairment losses/(reversals)	-	31	26	57
Total expense reported in profit or loss	11,851	1,883	26	13,760
Interest income	-	(2,290)	-	(2,290)
Finance lease interest	-	(5,141)	-	(5,141)
Gains on derecognition	-	-	(3,501)	(3,501)
Unwind of discount on non-interest bearing loan	-	(293)	-	(293)
Total income reported in profit or loss	-	(7,724)	(3,501)	(11,225)
Net change in fair value of available-for-sale financial assets	-	-	413	413
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	3,474	3,474
(Gains)/ losses on financial assets in Other Comprehensive Income and Expenditure	-	-	3,887	3,887
Net (gain)/loss for the period	11,851	(5,841)	412	6,422

Notes to the Financial Statements

Financial instruments - income, expenses, gains and losses (continued)

2016/17

	Financial Liabilities measured at amortised costs	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total
	£000	£000	£000	£000
Interest expense	10,416	-	-	10,416
Finance lease interest	-	2	-	2
Impairment losses/(reversals)	-	637	(252)	385
Total expense reported in profit or loss	10,416	639	(252)	10,803
Interest income	-	(1,231)	-	(1,231)
Finance lease interest	-	(4,346)	-	(4,346)
Gains on derecognition	-	-	(4,315)	(4,315)
Unwind of discount on non-interest bearing loan	-	(253)	-	(253)
Total income reported in profit or loss	-	(5,830)	(4,315)	(10,145)
Net change in fair value of available-for-sale financial assets	-	-	(5,011)	(5,011)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	3,507	3,507
(Gains)/ losses on financial assets in Other Comprehensive Income and Expenditure	-	-	(1,504)	(1,504)
Net (gain)/loss for the period	10,416	(5,191)	(6,071)	(846)

Notes to the Financial Statements

9. Operating leases

The Company leases out investment property under operating leases for a variety of purposes within the London community including the provision of:

- accommodation for local businesses; and
- commercial services for the community.

Company as lessor

The total future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2018 £000	31 March 2017 £000
Not later than one year	3,060	2,634
Later than one year and not later than five years	9,151	9,450
Later than five years	1,843	4,584
	14,054	16,668

The income credited to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2017/18 £000	2016/17 £000
Rent receivable in year	3,142	2,138

Notes to the Financial Statements

10. Property, plant and equipment

Movements in	2017/18 Other Land and Buildings £000	2016/17 Other Land and Buildings £000
Cost or Valuation		
At 1 April	21,651	20,440
Additions	-	133
Revaluation increases/(decreases) recognised in the revaluation reserve	225	1078
Revaluation decreases recognised in Profit/(Loss) from Operations	(35)	
At 31 March	21,841	21,651
Accumulated Depreciation and Impairment		
At 1 April	(81)	-
Depreciation charge	(2,652)	(2,232)
Depreciation written out to the Revaluation Reserve	2,212	2,151
At 31 March	(521)	(81)
Net Book Value		
At 1 April	21,570	20,440
At 31 March	21,320	21,570

Crystal Palace National Sports Centre (NSC) and Capel Manor Farm are held as property, plant and equipment. The property forms the National Sports Centre (NSC) providing both wet and dry facilities, outdoor pitches, tennis courts, athletics stadium and residential accommodation. The NSC was constructed in 1964; the Jubilee Stand of the stadium was added in 1977. There have been a number of alterations and additions. The NSC is a Grade II listed building. The property also includes the Capel Manor urban farm which consists of two single storey educational and administration buildings.

Valuations

The valuations were carried out by external valuers, GL Hearn at 31 March 2018. Valuations were carried out in accordance with the Practice Statements contained in the RICS Valuation - Professional Standards UK January 2014 (revised April 2015) and IFRS 13, by valuers who conform to the requirements thereof. The valuations were undertaken by currently Registered RICS Valuers.

Fair values for the assets held by the Company as Property, Plant and Equipment are calculated using the Depreciated Replacement Cost method due to the specialised nature of the properties and the limited relevant market evidence. This results in these measurements being classified as Level 3 in the fair value hierarchy.

The Depreciated Replacement Cost method involves assessing all the costs of providing a modern equivalent asset using pricing at the date of valuation. In order to assess the price that the buyer would bid for the actual asset, depreciation adjustments have to be made to the gross replacement cost to reflect the differences between it and the modern equivalent. These differences can reflect

Notes to the Financial Statements

factors such as the comparative age or remaining economic life of the actual asset, the comparative running costs and the comparative efficiency and functionality.

Significant unobservable inputs in Level 3 valuations of property, plant and equipment are the average costs per square foot for a modern equivalent of the Crystal Palace National Sports Centre, the stadium and the lodge. The costs were taken from the Building Cost Information Service provided by the Royal Institution of Chartered Surveyors, and the average square footage (sq. ft.) used ranged from £9 to £210 per sq. ft.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period. There were no transfers in or out of Level 3 fair value measurements for property, plant and equipment during the period.

Crystal Palace is held at fair value and at 31 March 2018 had a carrying value of £21.3m, for information, if the Company held this asset at cost, the carrying value would have been £7.8m.

Fair value gains or losses

In the year ended 31 March 2018 the Company recognised £2.4m of revaluation gains in the Other Comprehensive Income (£3.2m gain in 2016/17).

11. Investment properties

The following table summarises the movement in the fair value of investment properties over the period:

	2017/18	2016/17
	£000	£000
Balance at 1 April	68,042	52,896
Disposals	(6,910)	(595)
<i>Gains and losses included in profit or loss for the year:</i>		
Increase/(decrease) in fair value of investment properties	10,926	15,751
<i>Transfers:</i>		
To/from Inventories	-	(10)
Balance at 31 March	72,058	68,042

Direct operating expenses (including repairs and maintenance) incurred in relation to Investment Properties totalled £2.9m in year (£2.5m in 2016/17).

All valuations were carried out by independent external valuers, GL Hearn at 31 March 2018. Valuations were carried out in accordance with the Practice Statements contained in the RICS Valuation - Professional Standards UK January 2014 (revised April 2015) and in accordance with IFRS 13, by valuers who conform to the requirements thereof. The valuations were undertaken by currently Registered RICS Valuers.

See Note 3 for key assumptions in relation to asset valuations and sources of estimation uncertainty.

Fair value hierarchy

Where deemed appropriate, fair values for investment properties with an income stream are calculated using the direct income capitalisation method. In applying the direct income capitalisation method the rental income less irrecoverable costs of each property is divided by an appropriate capitalisation rate.

Notes to the Financial Statements

Other investment properties were valued using the comparison method which uses sales values of comparable sites/properties adjusted as required. These measurements are classified as Level 3 in the fair value hierarchy.

Recurring fair value measurements using:	Quoted prices	Other	Significant	Fair Value
	in active	significant	unobservable	as at 31
	markets for	observable	inputs	March 2018
	identical	inputs		
	assets			
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Commercial units	-	-	71,648	71,648
Residential properties	-	-	410	410
Balance at 31 March	-	-	72,058	72,058

Transfers between levels of the fair value hierarchy

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period. There were no transfers in or out of Level 3 fair value measurements for investment properties during the period.

Significant unobservable inputs in Level 3 valuations (Direct income capitalisation method)

2017/18

Input	Range	Weighted Sensitivity Average
Rental income less irrecoverable costs	n/a	£220,517
Capitalisation rate	6.0% - 9.0%	6.72%

Significant changes in rent growth; vacancy levels or capitalisation rate will result in a significantly lower or higher fair value

2016/17

Input	Range	Weighted
Rental income less irrecoverable costs	n/a	£465,949
Capitalisation rate	6.0% - 14.0%	5.84%

Significant changes in rent growth; vacancy levels or capitalisation rate will result in a significantly lower or higher fair value

Notes to the Financial Statements

12. Loan Investments

	31 March 2018 £000	31 March 2017 £000
Loans to joint venture	33,807	33,003
Loan to Limited Partnership	4,793	-
Infrastructure loans	76,086	29,717
At 31 March	114,686	62,720

	2017 £000	2018 £000
At 1 April	62,720	37,958
Loans issued in year	52,810	28,266
Interest receivable	714	668
Repayments	-	(4,425)
Discount Unwinding	259	253
Write down to fair value on initial recognition	(1,817)	-
At 31 March	114,686	62,720

13. Available for sale financial assets

Available for sale financial assets are stated at fair value and include the Company's entitlement to future income arising from financial assistance provided to homebuyers to enable them to buy homes; and other equity investments in external organisations.

	31 March 2018 £000	31 March 2017 £000
At 1 April	50,332	52,900
Disposals at cost less impairments	(3,795)	(4,324)
Fair value adjustment on disposals and revaluations	(3,887)	1,504
Impairment reversals on assets held	(26)	252
At 31 March	42,624	50,332

Fair value hierarchy

Equity Mortgages are all valued with reference to published house price indices; these are Level 2 fair value measurements. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Transfers between levels of the fair value hierarchy

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period. There were no transfers in or out of Level 2 fair value measurements for available for sale financial assets during the period.

Notes to the Financial Statements

The net change in fair value of available-for-sale financial assets reclassified to profit or loss totalled £3.5m for the period (£3.5m 2016/17); Other Comprehensive Income includes £0.4m of unrealised losses (£5.0m gain in 2016/17).

14. Finance lease receivables

Company as lessor

Gross investment in the lease is made up of the following amounts:

	31 March 2018 £000	31 March 2017 £000
Finance lease debtor (net present value of minimum lease payments):		
Current	57,655	14,850
Non-current	84,230	132,786
Unearned finance income	13,518	12,032
Gross investment in the lease	155,403	159,668

The gross investment in the lease will be received over the following periods:

	31 March 2018 £000	31 March 2017 £000
Not later than one year	58,533	14,994
Later than one year and not later than five years	93,592	141,173
Later than five years	3,278	3,501
	155,403	159,668

The minimum lease payments will be received over the following periods:

	31 March 2018 £000	31 March 2017 £000
Not later than one year	57,655	14,850
Later than one year and not later than five years	82,714	131,154
Later than five years	1,516	1,632
	141,885	147,636

Details of the Company's finance leases as lessor include:

- The London International Exhibition Centre has been granted a 200-year lease ending in 2199 for the ExCel Exhibition Centre land;
- A 95-year lease ending in 2075 with Workspace II Limited for a warehouse, office and secure yard at Quicksilver Place, Wood Green;
- A 99-year lease until 2082 with The Drum Group Limited for a plot of land at Charles Street, London E16;

Notes to the Financial Statements

- A 101-year lease ending in 2110 with London City Airport to allow the installation of airport landing lights at Albert Island, London E16; and
- Deferred receipts in relation to various development properties leased on long leases.

Contingent rent

Lease receivables from a lease with ExCel Exhibition Centre site have been treated as a contingent asset. The Excel lease expires in 2199 and the annual lease receivable is based on the corresponding annual turnover of the centre, the value of the lease is therefore uncertain. The net present value of the estimated cash flows is considered to be between £10m and £22m and £1.1m was receivable in 2017/18.

15. Trade and other receivables

	31 March 2018 £000	31 March 2017 £000
Current		
Trade receivables due from related parties	169	-
Other trade receivables	16,129	15,990
Accrued income	5,330	5,039
Prepayments	31	29
	21,659	21,058
Non-current		
Amounts due from third parties	56	180
	56	180

16. Taxation

Tax recognised in profit and loss

For the period ended 31 March	2018 £000	2017 £000
Corporation tax rate on profits for the year	19%	20%
Corporation tax on profits for the year	2,924	787
Adjustments relating to prior year tax	1,662	32
Current tax charge	4,586	819
Deferred tax	783	2321
Effect of tax losses	1,544	264
	6,913	3,404
Effect of reductions in corporation tax rate	-244	-946
Tax expense from continuing operations	6,669	2,458

Notes to the Financial Statements

Tax recognised in other comprehensive income

For the period ended 31 March	2018	2017
	£000	£000
Deferred tax	2,138	(253)

For the period ended 31 March	2018		
	Before tax	Tax	After tax
	£000	£000	£000
Revaluation of property plant and equipment	2,437	(89)	2,348
Net change in value of available for sale financial assets	413	2,227	2,640
	2,850	2,138	4,988

For the period ended 31 March	2017		
	Before tax	Tax	After tax
	£000	£000	£000
Revaluation of property plant and equipment	(3,229)	(253)	(3,482)
Net change in value of available for sale financial assets	(5,011)	-	(5,011)
Net change in value of available for sale financial assets reclassified to profit or loss	3,507	-	3,507
	(4,733)	(253)	(4,986)

Reconciliation of tax charge

For the period ended 31 March	2,018	2,017
	£000	£000
Profit/(Loss) before tax	32,177	25,150
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (year to 31 March 2017 20%)	6,114	5,030
Effects of:		
Historic tax basis in development properties	24	439
Prior year adjustment corporation tax	1,662	32
Disallowable items	547	467
Brought forward losses utilised	(389)	(2,230)
Indexation allowance and other differences on capital gains	(419)	(1,454)
Transitional relief under Finance (No2) Act 2015	(870)	-
Other differences	-	175
Total tax charge for the year	6,669	2,459

Notes to the Financial Statements

Recognised deferred tax liabilities

	1 April 2017	Movement in year	Reduction in tax rate	31 March 2018
	£000	£000	£000	£000
Development stock	2,954	211	(22)	3,143
Available for sale financial assets	-	2,489	(262)	2,227
Trading losses	(2,954)	1,544	(162)	(1,572)
Accelerated capital allowances	8	5	-	13
Net deferred tax on trading items	8	4,249	(446)	3,811
Property, plant and equipment	2,243	(99)	10	2,154
Investment properties	5,355	567	(60)	5,862
Total deferred tax liabilities	7,606	4,717	(496)	11,827

	1 April 2016	Movement in year	Reduction in tax rate	31 March 2017
	£000	£000	£000	£000
Development stock	3,739	(264)	(521)	2,954
Trading losses	(3,739)	264	521	(2,954)
Accelerated capital allowances	3	7	(2)	8
Net deferred tax on trading items	3	7	(2)	8
Property, plant and equipment	2,496	143	(396)	2,243
Investment properties	3,721	2,579	(945)	5,355
Total deferred tax liabilities	6,220	2,729	(1,343)	7,606

*Prior year adjustment - the Finance (No2) Act 2015 changed the way that loan relationships are taxed. The resulting deferred tax liability due to this change has been offset by previously unrecognised deferred tax assets which arise from trading losses.

Deferred tax has been provided at 17%, the rate at which the liabilities/assets are expected to reverse.

Unrecognised deferred tax asset

	2018 £000	2017 £000
Trading and other losses	166,831	166,874

Deferred tax has been computed at 17% to arrive at the deferred tax assets. This is the rate that the assets would mostly be utilised. Most of these deferred tax assets represent trading losses carried forward. A significant part of these trading losses (£71.6m), were inherited from predecessor bodies under the Localism Act 2011. The availability of some of these losses has not been agreed with HMRC and could be subject to change. Restrictions will arise on the future use of these losses. In particular, the amount of profits that can be offset by losses carried forward is restricted to 50% of the amount of profits in excess of £5 million.

Notes to the Financial Statements

17. Inventories

	31 March 2018 £000	31 March 2017 £000
Property/development assets:		
Land and buildings	258,484	219,207
	258,484	219,207
Balance at 1 April	219,207	192,147
Additions in year	55,813	44,769
Included in Cost of Sales:		
Cost of property sold	(12,146)	(12,496)
Write down to net realisable value	(7,815)	(6,897)
Reversal of write downs	3,425	1,684
Balance at 31 March	258,484	219,207

Additions in year

A significant acquisition in year was the purchase of part of the existing St Ann's Hospital site in Haringey for development.

Cost of inventory sold

Inventory consists of property/development assets. Disposals during the year amounted to £12.1m(2016/17 - £12.5m) and this amount is offset, in the Statement of Comprehensive Income, against disposal proceeds received.

Write down to net realisable value

Where the market value of a property/development asset is lower than costs incurred on that asset, the reduction is written off to profit or loss within Cost of Sales. Write downs during the period amounted to £7.8m (2016/17 - £6.9m), these were largely due to the write off of professional fees and taxes on a property purchased in year, along with a reduction in value of three other sites and mostly reflects the renegotiated increase in the proportion of affordable housing in an existing development agreement and the short-term nature of leases as well as limited progress on the residential development on another site.

Reversal of write downs

The write-back of £3.4m is largely due to a development agreement being signed for a larger scheme comprising 330 shared ownership units and retail space, with the developer paying an agreed rate on practical completion, this creates more certainty for the delivery of the development and the associated income.

Valuation

The realisable value of the Company's development properties at 31 March 2018 has been based on a valuation carried out at that date by external valuers, GL Hearn. An estimate of selling costs has been deducted from the valuation to determine the net realisable value.

Valuations were carried out in accordance with the Practice Statements contained in RICS Valuation - Professional Standards UK January 2014 (revised April 2015), by valuers who conform to the requirements thereof. The valuations were undertaken by currently Registered RICS Valuers.

Notes to the Financial Statements

18. Cash and cash equivalents

	31 March 2018 £000	31 March 2017 £000
Bank current accounts	352	9,345
Other deposits	26,641	-
	26,993	9,345

19. Trade and other payables

	31 March 2018 £000	31 March 2017 £000
Current		
Trade payables due to related parties	(1,552)	(2,432)
Other trade payables	(16,060)	(2,987)
Accrued expenses	(7,301)	(10,360)
Corporation tax payable	-	-
Deferred income	(747)	(848)
	(25,660)	(16,627)
Non-current		
Other trade payables	(40)	(209)
Deferred income	(11,886)	(11,907)
	(11,926)	(12,116)

20. Finance lease liabilities

Company as lessee

The Company holds a proportion of its property, plant and equipment and inventory under finance lease arrangements.

The assets acquired under these leases are carried in the Statement of Financial Position at the following net amounts:

Notes to the Financial Statements

	31 March 2018	31 March 2017
Carrying value of assets	£000	£000
Other Land and Buildings	21,320	21,570
Investment Property	23,405	20,855
Development Properties	11,258	11,258
	55,983	53,683

The Company is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired and finance costs that will be payable in future years while the liability remains outstanding.

The future minimum lease payments are made up of the following amounts:

	31 March 2018	31 March 2017
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
Current	1	1
Non-current	38	39
Finance costs payable in future years	49	50
Minimum lease payments	88	90

The minimum lease payments will be payable over the following periods:

	31 March 2018	31 March 2017
	£000	£000
Not later than one year	3	3
Later than one year and not later than five years	11	11
Later than five years	74	76
	88	90

The present value of the minimum lease payments:

	31 March 2018	31 March 2017
	£000	£000
Not later than one year	1	1
Later than one year and not later than five years	5	4
Later than five years	33	35
	39	40

Details of the Company's finance leases as lessee include:

Held as Property, Plant and Equipment on the Statement of Financial Position:

Notes to the Financial Statements

- **Crystal Palace** - the Crystal Palace 125-year leases with the London Borough of Bromley expire in 2131. The leases cover the National Sports Centre, Capel Manor Farm, a lodge and residential properties.

Held as Inventory on the Statement of Financial Position:

- **Stephenson Street** - a long term lease of 99 years with Network Rail, expiring in 2069, for the land and railway arches at Stephenson Street (ex-Parcelforce Site) in West Ham providing part of the access to the larger freehold adjoining property belonging to the Company.
- **Thames Wharf** - two long leases (57 and 60 years long) the Company took out with the London Borough of Newham at Thames Wharf as part of the larger property. Both leases expire in 2026;
- **20 Newburn Street, Kennington** - this property is leased from London Housing Quadrant on a 125-year lease ending in 2129. It has subsequently been leased out on peppercorn rental to Riverside Community Development Trust; and
- **CEME** - this property is leased from Ford Motor Company on a 125-year lease ending in 2126.

Notes to the Financial Statements

21. Financial instruments

Categories of financial instruments

The following categories of financial instrument are carried in the Balance Sheet.

	Carrying Value 31 March 2018 £000	Carrying Value 31 March 2017 £000
Investments-Non-current		
Loans and receivables at amortised costs	114,686	62,720
Available-for-sale financial assets	42,624	50,332
Total investments	157,310	113,052
Receivables Non-current		
Loans and receivables at amortised costs	56	180
Finance lease receivables	84,230	132,786
Total Receivables	84,286	132,966
Borrowings-Non current		
Financial liabilities at amortised costs	(280,000)	(265,000)
Total borrowings	(280,000)	(265,000)
Other Non current Liabilities		
Finance lease liabilities	(38)	(39)
Total other Non current liabilities	(38)	(39)
Payables Non-current		
Financial liabilities at amortised costs	(40)	(209)
Total Payables	(40)	(209)

Notes to the Financial Statements

	Carrying Value 31 March 2018 £000	Carrying Value 31 March 2017 £000
Investments Current		
Loans and receivables at amortised costs	415	60
Available-for-sale financial assets	-	-
Total investments	415	60
Receivables Current		
Loans and receivables at amortised costs	21,240	20,396
Finance lease receivables	57,655	14,850
Total Debtors	78,895	35,246
Cash and cash equivalents	26,993	9,345
Borrowings Current		
Financial liabilities at amortised costs	(110,709)	(63,371)
Total borrowings	(110,709)	(63,371)
Other Current Liabilities		
Finance lease liabilities	(1)	(1)
Total other current liabilities	(1)	(1)
Payables Current		
Financial liabilities at amortised costs	(15,993)	(14,802)
Total Payables	(15,993)	(14,802)

Unquoted equity investments at cost

The Greater London Authority transferred its share holdings in RoDMA to the Company for nil consideration on 3 October 2013. As RoDMA shares are not quoted on an active market the fair value of the shares cannot be measured reliably and the investment is held at nil cost.

The Company disposes of shares in RoDMA as and when leases are granted by RoDMA to new leaseholders.

Fair values of assets and liabilities

Financial liabilities and financial assets represented by loans and receivables are carried in the Statement of Financial Position at amortised cost. Their fair value can be assessed by calculating the net present value (NPV) of the cash flows that will take place over the remaining term of the instruments, using the following assumptions and Level 2 valuation inputs:

- Published market data for comparable instruments at 31 March 2018 are used to obtain discount rates for long term borrowings;
- Where borrowing will mature within 12 months, carrying amount is assumed to approximate to fair value;

Notes to the Financial Statements

- The discount rates used to determine the net present values of investments are the market rates available as at 31 March 2018 for new instruments equivalent to those under consideration. For investments maturing within 12 months or with rates programmed to vary with an underlying interest rate measure (such as base rate) where the next rate revision will occur within 12 months, carrying amount is assumed to approximate to fair value; and
- The fair value of trade and other receivables and payables due within 12 months is taken to be the invoiced or billed amount.

Fair values of assets and liabilities	31 March	31 March	31 March	31 March
	2018	2018	2017	2017
	Carrying	Fair Value	Carrying	Fair Value
	amount	£000	amount	£000
Borrowing Non-current	(280,000)	(300,248)	(265,000)	(294,963)
Borrowing Current	(110,709)	(110,709)	(63,371)	(63,371)

	Carrying	Fair Value	Carrying	Fair Value
	amount	£000	amount	£000
	£000	£000	£000	£000
	£000	£000	£000	£000
Loan Investments Non-current and current	115,101	115,101	62,720	62,720
Available for sale financial assets Non-current	42,624	42,624	50,332	50,332

The fair value of borrowing is higher than the carrying amount because the interest rate payable on the Company's loan portfolio is higher than the prevailing rates at the Statement of Financial Position date. This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to the Greater London Authority above current market rates.

The Company's investments consist of loans to Barking Riverside Limited - the Company's joint venture with L&Q New Homes Limited and loans to property developers. One of the loans to Barking Riverside is an interest free loan which has been impaired to reflect the Company's view of collectability and discounted by an appropriate rate. In the absence of any market comparator for such an arrangement, the carrying value is assumed to approximate the fair value.

22. Financial risk management

The Company's activities expose it to a variety of financial risks including:

- credit risk- the possibility that other parties might fail to pay amounts due
- liquidity risk- the possibility that the Company may not have the funds available to meet its commitments to make payment
- market risk- the possibility that financial loss might arise as a result of changes in interest rates

These risks are considered by the directors and managed as set out below. Day to day management of the Company's cash position is delegated to the ultimate parent, the Greater London Authority, which maintains a professional group treasury team.

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Credit risk

The Company's policy is to place all funds surplus to the current account balance required to make payments, on callable deposit with its ultimate parent, the Greater London Authority. The GLA has a high credit standing (AA with negative outlook) and high levels of central government support. The Company therefore considers credit risk arising from cash and short term deposits to be adequately minimised. There has been no historical experience of default by a UK local authority.

The Company is exposed to risk of default on the loan investments referred to in Note 12, however the company has not experienced default from similar instruments in the past. The agreements and the financial standing of the counterparties are routinely monitored by the ultimate parent's group treasury team with a view to early management of any risks arising.

The maximum exposure to credit risk on receivables at 31 March 2018 is £163.2m (£168.2m - 31 March 2017).

Liquidity risk

All of the Company's cash is accessible immediately being held on callable deposit with the ultimate parent or in the Company's current account with its bankers. The ultimate parent's group treasury team monitor the current account and release funds from deposit as required.

The Company's cash flow requirements are forecast and planned as part of a comprehensive, group-wide process, with the ultimate parent having exceptional access to liquidity.

There is no significant risk of the Company being unable to meet its financial obligations as they fall due.

Borrowings

	Interest rate	31 March 2018 £000	31 March 2017 £000
Non-current			
Amounts due to ultimate parent	Fixed: 3.33%	(245,000)	(265,000)
Amounts due to ultimate parent	Fixed: 3.03%	(35,000)	-
		(280,000)	(265,000)
Current			
Amounts due to ultimate parent	Variable: Average daily return on pooled GLA Group Investment Syndicate investments	-	(7,944)
Amounts due to ultimate parent (Housing Zones)	Variable: EU reference rate plus 0.6%	(20,000)	(20,000)
Amounts due to ultimate parent (Housing Zones)	Fixed: 2.24% to 5.25%	(68,850)	-
Amounts due to ultimate parent	Fixed: 3.33%	(20,000)	(35,000)
Interest owed as at 31 March		(1,859)	(427)
		(110,709)	(63,371)

Notes to the Financial Statements

The maturity analysis of current and non-current borrowings is as follows:

	31 March 2018 £000	31 March 2017 £000
Within one year-Principal	(108,850)	(62,944)
Within one year-Interest	(1,859)	(427)
Greater than one and up to two years-Principal	(15,000)	(20,000)
Greater than two and up to five years-Principal	(175,000)	(120,000)
Greater than five and up to ten years-Principal	(55,000)	(90,000)
More than ten years-Principal	(35,000)	(35,000)
	(390,709)	(328,371)

Market risk

The Company has no exposure to negotiable or quoted instruments and is not exposed to any losses as a result of market movements.

Loan investments

£25.3m of the Company's investments attract interest on a variable rate basis. A 1% rise in interest rates would deliver an additional £0.3m in interest receivable. whereas a 0.5% fall would lead to a reduction in receipts of £0.1m.

Equity mortgages

At 31 March 2018, if UK house prices had been 1% lower and all other variables were held constant, the Company's house price linked financial assets, which are solely available for sale financial assets, would decrease in value, excluding the effects of tax, by £0.4m, with a corresponding reduction in equity.

23. Provisions

	Other Provisions £000	CPO Provisions £000	Total £000
Balance at 1 April 2017	(932)	(1,150)	(2,082)
Additional provisions made during the period	(3,707)	-	(3,707)
Amounts used in year	692	181	873
Unused amounts reversed in year	50	74	124
Balance at 31 March 2018	(3,897)	(895)	(4,792)

Compulsory purchase orders (CPO)

The CPO provision of £0.9m is the forecast of liabilities for which a binding commitment has been made as at 31 March. The provision amount has been based on the professional estimates of lawyers and surveyors of the land acquisition, development value, disturbance, statutory interest and professional fees for both sides of the negotiation on a case by case basis. Due to the nature of the liability and the need to negotiate settlement amounts, there is uncertainty on when the CPO cases will be settled and the amount of the final agreed payment. At present, it is expected that payments will be made in 2018/19.

Notes to the Financial Statements

Other provisions

Details of the more significant provisions are provided below.

Fly-tipping costs – the provision was fully utilised in year with spend of £0.7m being charged against it.

Thames Wharf drainage works – a provision of £0.05m was released in year, as the provision is no longer required.

Millfield Transfer Station – the Company, along with the London Borough of Hackney, has an obligation to undertake repairs and other works at the Millfield Transfer Station. The obligation arises from a landfill site relocation for the 2012 Olympics. The remaining works are expected to be completed in 2018/19 and are expected to cost £0.24m.

S106 Obligation – the Company has a legal obligation under a S106 agreement to make a £1.9m contribution of to a London borough for transport related works in 2018/19. Negotiations are currently underway which may affect the timing and the quantum of the payment.

Uncertain tax position provision – The treatment of certain items, in particular equity mortgages, for corporation tax purposes is uncertain. Although the treatments adopted are considered to be reasonable and defensible they may be disputed by HMRC. In the circumstances, it is considered prudent to make a tax provision of £1.75m for prior years.

24. Contingent liabilities and assets

Contingent liabilities

The Company inherited a register of potential assets and liabilities and has reviewed this as part of the closure of accounts process. This register holds information on the nature of potential obligating events, nature of any uncertainty and likelihood of occurrence.

The contingent liabilities relate to a number of potential claims, rights of use, restrictive covenants or dependencies on planning permission in relation to land assets hence their possible outcome – the following balance summarises all those where the likelihood of occurrence is considered possible.

	31 March 2018 £000	31 March 2017 £000
Contingent Liabilities	(55,273)	(55,773)

S106 Agreements

Planning obligations are created under Section 106 of the Town and Country Planning Act 1990. They are legally binding obligations that are attached to a piece of land and are registered as local land charges against that piece of land. Planning obligations enable local authorities to secure contributions to services, infrastructure and amenities in order to support and facilitate a proposed development.

The Company inherited a number of S106 agreements, many of which have now expired or obligations have previously been met by the London Development Agency or the Developer. Of

Notes to the Financial Statements

those remaining the obligation is either unquantifiable, to be met by the developer or non-financial in nature and have not been provided for as at 31 March 2018.

Contingent assets

See Note 14 for details on contingent rent under the Excel finance lease.

25. Contractual commitments

There are no contractual commitments as at 31 March 2018; there were capital commitments of £0.09m as at 31 March 2017.

26. Cash Flow

Adjustments to profit and loss for non-cash movements:

For the period ended 31 March	2018	2017
	£000	£000
Depreciation and impairment of property, plant and equipment	(2,687)	(2,232)
Impairment of available for sale financial assets	(26)	252
Change in fair value of investment property	10,926	15,751
Movement in interest receivable	1,069	728
Movement in interest payable	(1,431)	(427)
Write down of loan investments to fair value	(1,817)	-
Other non cash movements	259	253
(Increase)/ decrease in payables	(8,843)	18,225
Increase/(decrease) in receivables	129	(9,972)
Increase/ (decrease) in inventory	39,277	27,050
(Increase)/ decrease in provisions	(953)	4,025
Increase/(decrease) in finance lease receivables	(5,751)	15,794
Tax expense	(3,918)	(2,458)
	26,234	66,989

Adjustments to profit and loss for investing and financing activities:

For the period ended 31 March	2018	2017
	£000	£000
Gain/(loss) on available for sale financial assets	3,500	4,314
Gain/(loss) on sale of investment property	470	(295)
	3,970	4,019

Notes to the Financial Statements

Cash Flow Statement – included in operating activities

For the period ended 31 March	2018	2017
	£000	£000
Interest received	(1,054)	(661)
Interest paid	9,992	9,992
Corporation tax paid	2,750	2,100

Cash Flow Statement – Investing Activities

For the period ended 31 March	2018	2017
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	1	133
Purchase of short-term and long-term investments	52,811	28,266
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,380)	(300)
Proceeds from the sale of available for sale financial assets	(6,870)	(8,329)
Proceeds from short-term and long-term investments	-	(4,425)
Net cash flows from investing activities	38,562	15,345

Cash Flow Statement – Financing Activities

	2018	2017
	£000	£000
Cash receipts of short and long-term borrowing	(68,851)	(7,944)
Repayments of short and long-term borrowing	7,944	-
Net cash flows from financing activities	(60,907)	(7,944)

27. Capital and Reserves

Ordinary shares

On incorporation, the Company issued one share of £1 and this is held by the parent, Greater London Authority Holdings Limited.

Nature and purpose of reserves

Pooling of interests reserve

The Pooling of Interests reserve comprises the consolidation adjustments that arise when accounting for business combinations under the pooling of interest method

Fair value reserve

The Fair Value reserve comprises the cumulative net change in the fair value of available for sale financial assets until the assets are derecognised or impaired.

Revaluation reserve

Notes to the Financial Statements

The Revaluation reserve contains the gains arising from increases in the value of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired or when assets are disposed of and the gains are realised.

28. Ultimate parent undertaking

The Company is a wholly owned subsidiary of Greater London Authority Holdings Limited which is itself a wholly owned subsidiary of the Greater London Authority. The board members of both companies are appointed by the Mayor of London. Copies of the Greater London Authority's accounts are available from City Hall, Queen's Walk, London, SE1 2AA.

29. Related Parties

All transactions with related parties are on arm's length terms.

Transactions with ultimate parent

During the year, the Greater London Authority (GLA) charged the Company £4.3m for staff, accommodation and other overhead costs (£3.7m- 2016/17).

Loans from the GLA total £389m (£328m in 2016/17) with interest of £11.8m payable to the GLA in respect of these loans (£10.4m – 2016/17) (see notes 21 and 22 for further details).

At 31 March 2018, the Company had £26.6m on deposit with the GLA and £0.02m interest was earned on these deposits during the year.

Balances owed to the GLA, at 31 March 2018, are reported in note 19.

Transactions with joint venture

Barking Riverside Limited

Barking Riverside Limited is a joint venture between London & Quadrant New Homes Limited and GLA Land and Property Limited.

The joint venture company is leading on the delivery of the new Barking Riverside neighbourhood. The site is being remediated and site wide infrastructure developed to allow the release of plots for residential and commercial development.

GLA Land and Property Limited holds 49% of the share capital and 50% of the voting rights. The Executive Director of Housing and Land at the Greater London Authority, the Deputy Mayor, Housing and Residential Development and a Senior Area Manager from the GLA's Housing and Land directorate are three of the six directors of Barking Riverside Limited.

GLA Land and Property Limited acquired, from the Homes and Communities Agency, loan investments provided to Barking Riverside Limited (see note 12) and has provided a statement of intent letter to Barking Riverside Limited that it does not intend to exercise its right to on-demand repayment of the loan balance outstanding for one year from the date of the letter, and that it will continue to provide financial and other support to Barking Riverside Limited for the next twelve months to enable it to continue to trade.

Notes to the Financial Statements

- Other than the capitalisation of £0.5m interest receivable on the loan investment, there were no transactions between the Company and Barking Riverside Limited in the period ended 31 March 2018.

Transactions with Associates

Royal Docks Management Authority Limited

The Royal Docks Management Authority Limited (RoDMA), established in 1990, holds a 225-year lease of the water areas and associated marine infrastructure of the Royal Docks and is responsible for their control and management.

At 31 March 2018, the Company holds 96.4% of the RoDMA shares and 38.02% of the voting rights. The Department for Environment Food and Rural Affairs holds a special share which gives it control over key decisions; the Company therefore has significant influence but does not control RoDMA. RoDMA is held as an associate in the Company's financial statements but, as it was acquired at nil cost, there is no carrying value in the Company's accounts.

During 2017/18, £0.5m was payable to RoDMA for service charges and insurance.

Other related parties

Greenwich Peninsula Estate Management Limited

Greenwich Peninsula Estate Management Limited was established to manage, maintain and administer the Greenwich Peninsula estate. The Company appoints one out of seven directors.

- There were no transactions between the Company and Greenwich Peninsula Estate Management Limited in the year ended 31 March 2018.

Real Lettings Property Fund 2 LP (RLPF2)

RLPF2 was registered as a limited partnership in December 2016 and the fund was launched in January 2017 with LB Croydon, LB Lambeth and LB Westminster joining as limited partners and committing a total of £45m of investment. The target size for the RLPF2 is over £100m up to a maximum of £200m by January 2019. A fund of £100m should allow the purchase, refurbishment, letting and management of around 330 affordable homes.

On 26 March 2018, the Company became a limited partner and made a capital contribution of £1.5k and an interest free loan of £4.8m.

30. Events occurring after the reporting date

There are no significant events, post 31 March, that require disclosure.

