Greater London Authority Holdings Limited

Annual Report and Financial Statements

1 April 2018 to 31 March 2019

AUDITED

Registered Office
55 Broadway
London, SW1H 0BD

Registered in England and Wales
07923665

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Directors' Report

Introduction

The directors present their report on the affairs of Greater London Authority Holdings Limited (the Company), (registration number 07923665), and its subsidiaries GLA Land and Property Limited (GLAP) and London Treasury Limited (LTL) and the group audited financial statements for the accounting period of 1 April 2018 to 31 March 2019 (accounting period). On 21 August 2018, Greater London Authority Holdings Limited acquired LTL and is the sole shareholder. At 31 March 2019, the Company had a £125,000 shareholding in LTL. On materiality grounds LTL has not been consolidated in the Greater London Authority Holdings Limited's group accounts. The results of LTL are disclosed in Note 29.

The Group has prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and has also elected to prepare the parent company's financial statements in accordance with IFRS.

Principal activities

The principal activities of the Group are:

GLAP - the purchase, sale and development of land or property, and the holding of land or property for capital growth or rental.

LTL - the provision of fund management services to the Greater London Authority, its Functional Bodies (excluding Transport for London) and to London Boroughs.

Share capital

The Company had one share in issue at 1 April 2018 and 31 March 2019 and this is held by the Greater London Authority.

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

Directors' Report

None of the directors had any beneficial interest in the shares of the Company, or its subsidiaries.

Risk management

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

Employees

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

Charitable and political donations

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

Dividends

It is not proposed to declare a dividend for the period 1 April 2018 to 31 March 2019.

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.

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

Martin Clarke
Director

29 October 2019

Strategic Report

The Group 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 or is contractually committed for development. This is with the aim of encouraging investment, creating jobs and helping meet London's housing needs.

The most significant single development site that the Group 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 2,029 homes have been completed and a further 802 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. During 18/19 TSP underwent a corporate restructure to bring in new funding and delivery partners Lend Lease and Starwood Capital;

Royal Albert Dock: GLAP is in contract with development partner ABP (London) Investment Limited – a major Chinese developer – to develop this site primarily for business use and some ancillary residential accommodation. Planning consent was granted in December 2015 for a circa 4.7m square feet development. Construction of the first phase (circa 600,000 square feet) was completed on 11 April 2019; and

Albert Island: GLAP has entered into contract with London and Regional to deliver circa 1m square feet of employment space, including a new commercial boatyard. A planning application is due to be submitted in late summer 2019.

During 2018/19 Beam Park started on site, which is a development by Countryside Properties and L&Q that will eventually provide over 3,000 homes.

During 2018/19, Segro, the development partner on the East+ site, completed a further 280,000 square feet of mixed tenure industrial space, in east London, bringing the total completed to date to nearly 580,000 square feet.

In 2017 the Mayor established the Land Fund to acquire land and prepare land for new and affordable housing, £250m of which will be funded by the sale of GLAP land and assets. It is intended that the funding will recycle over time to continue unlocking opportunities across the capital. The purpose of the fund is to have a more interventionist approach in London's land market, with the aims of: building more social rented and other genuinely affordable homes; accelerating the speed of building; and capturing value uplift for public benefit. The fund made several investments in 2018/19 including acquiring part of a former hospital site in Enfield from LocateED and providing a commercial loan to Anthology to bring forward the development of over 600 homes.

During 2018/19 GLAP incurred a loss after tax of £32.5m - a £19.8m operating loss was reported on the property and estate management activities, the key drivers being the increase in the percentage of affordable housing from 35% to 50% which resulted in significant write downs in value of land inventory and a very low number of property disposals; other significant costs are £14.7m financing costs and £9.1m administrative expenses, which were partly offset by a £4.8m fair value gain on investment properties.

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 August 2018, the Company acquired London Treasury Limited, a fund manager for the Greater London Authority, its Functional Bodies (excluding Transport for London) and to London Boroughs. LTL has not been consolidated in the Group accounts as the turnover and net assets are not material to the Group.

Martin Clarke
Director

29 October 2019

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 Group 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and to prevent and detect fraud and other irregularities.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREATER LONDON AUTHORITY HOLDINGS LIMITED

Opinion

We have audited the financial statements of Greater London Authority Holdings Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 March 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 group and parent 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 group's or the parent 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.

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 group and the parent 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 parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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 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 group's and the parent 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 group or the parent 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.

Andrew Brittain (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
29 October 2019

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.

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Consolidated Statement of Comprehensive Income

		2018/19		2017/18	
	Notes	£000	£000	£000	£000
Continuing operations					
Income from property disposals		(7,312)		(62,065)	
less Greenwich Peninsula disposal proceeds shared with third parties	4	344		10,593	
Rental and other property income		(8,867)	(15,835)	(9,237)	(60,709)
Cost of sales	5,17	25,471		16,536	
Estate management costs	5	10,191	35,662	10,271	26,807
Gross (profit) / loss			**19,827**		**(33,902)**
Compulsory purchase order costs	5		-		(91)
Professional fees and other costs	5		2,712		4,022
Administrative expenses	5		9,048		7,198
Overage payable			3,684		7,571
Contributions payable			171		-
Other expenses	6,8		(904)		1,945
(Profit) /loss from operations			**34,538**		**(13,257)**
Net (increase)/decrease in fair value of investment property	11		(4,825)		(10,926)
Other income	7		(48)		(12,121)
Finance income	8		(9,901)		(7,724)
Finance costs	8		14,672		11,851
(Profit)/loss before tax			**34,436**		**(32,177)**
Tax	16		(1,906)		6,669
(Profit)/loss for the period			**32,530**		**(25,508)**
Other comprehensive (income)/expense:					
Items that will never be reclassified to profit and loss					
Revaluation of property, plant and equipment			(3,249)		(2,437)
Deferred tax on revalued property, plant and equipment	16		(5)		(89)
Items that are or may be reclassified to profit and loss					
Net change in fair value of available-for-sale financial assets	13		-		413
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
Other comprehensive (income)/expense, net of tax			**(3,254)**		**3,588**
Total comprehensive (income)/expense recognised for the period			**29,276**		**(21,920)**

Consolidated Statement of Financial Position

	Note	Company 31 March 2019 £000	Group 31 March 2019 £000	Group 31 March 2018 £000
Non-current assets				
Property, plant and equipment	10	-	21,415	21,320
Investment property	11	-	76,883	72,058
Loan investments - Non Current	12	-	274,942	114,686
Equity Investments	29	125	126	1
Equity Mortgages	13	-	37,587	42,624
Finance lease receivables -Non Current	14	-	82,019	84,230
Trade and other receivables - Non Current	15	-	51	56
Total Non-current assets		**125**	**493,023**	**334,975**
Current assets				
Inventories	17	-	246,544	258,484
Loan investments - Current		-	577	415
Finance lease receivables - Current	14	-	16,662	57,655
Trade and other receivables - Current	15	-	19,923	21,659
Cash and cash equivalents	18	-	34,924	26,993
Total current assets		**-**	**318,630**	**365,206**
Total assets		**125**	**811,653**	**700,181**
Current liabilities				
Borrowings and overdrafts - Current	21,22	-	(253,001)	(110,709)
Trade and other payables - Current	19	-	(22,823)	(25,660)
Finance lease liabilities - Current	20	-	(1)	(1)
Provisions - Current	23	-	(895)	(2,795)
Total current liabilities		**-**	**(276,720)**	**(139,165)**
Non-current liabilities				
Borrowings - Non Current	21,22	-	(285,000)	(280,000)
Trade and other payables - Non Current	19	(125)	(12,047)	(11,926)
Finance lease liabilities - Non Current	20	-	(37)	(38)
Provisions - Non Current	23	-	(1,774)	(1,997)
Deferred tax liability	16	-	(10,617)	(11,827)
Total non-current liabilities		**(125)**	**(309,475)**	**(305,788)**
Total liabilities		**(125)**	**(586,195)**	**(444,953)**
Net assets		**-**	**225,458**	**255,228**
Equity				
Revaluation reserve	27	-	(28,486)	(25,232)
Fair value reserve	27	-	-	(23,734)
Pooling of interests reserve	27	-	(120,745)	(120,745)
Retained earnings		-	(76,227)	(85,517)
Total equity		**-**	**(225,458)**	**(255,228)**

The Company has issued one £1 share which is held by the Greater London Authority, has a £1 investment in GLA Land and Property Limited and £125,000 investment in London Treasury Limited.

The financial statements were approved by the Board and authorised for issue on 29 October 2019. The financial statements also comprise the notes on pages 18 to 58.

Martin Clarke
Director

Consolidated Statement of Changes in Equity

as at 31 March 2019

	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 2018		**-**	**(120,745)**	**(23,734)**	**(25,232)**	**(85,517)**	**(255,228)**
Adjustments for the restatement of financial instruments	2	**-**	-	23,734	-	(23,240)	**494**
At 1 April 2018 restated			**(120,745)**	**-**	**(25,232)**	**(108,757)**	**(254,734)**
(Profit)/loss for the year			-	-	-	34,436	**34,436**
Revaluation of property, plant and equipment	10	-	-	-	(3,249)	-	**(3,249)**
Tax on items above	16	-	-	-	(5)	(1,906)	**(1,911)**
Total comprehensive (income)/expense recognised in year		**-**	**-**	**-**	**(3,254)**	**32,530**	**29,276**
Issue of shares		-	-	-	-	-	**-**
At 31 March 2019		**-**	**(120,745)**	**-**	**(28,486)**	**(76,227)**	**(225,458)**

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

Consolidated 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.

Consolidated Statement of Cash Flows

For the period ended 31 March	Notes	2019 £000	2018 £000
(Profit)/loss for the year		32,530	(25,508)
Adjustments to profit or loss for non-cash movements	26	(49,125)	26,234
Adjustments for items included in the profit or loss that are investing and financing activities	26	(375)	3,970
Net cash flows from Operating Activities		**(16,970)**	**4,697**
Investing Activities	26	154,850	38,562
Financing Activities		(145,811)	(60,907)
Net (increase) or decrease in cash and cash equivalents		**(7,931)**	**(17,648)**
Cash and cash equivalents at the beginning of the reporting period		(26,993)	(9,345)
Cash and cash equivalents at the end of the reporting period	18	**(34,924)**	**(26,993)**

Notes to the Financial Statements

1. Reporting entity

Greater London Authority Holdings Limited (the Company) is a company domiciled in the United Kingdom. The Company's registration number is 07923665 and its registered office is 55 Broadway, London, SW1H 0BD.

2. Changes in accounting policies and prior period adjustments

(i) IFRS 9 Financial Instruments

The Group has adopted IFRS 9 Financial Instruments, effective from 1 April 2018, comparatives have not been restated and any resulting change in net assets has been recognised in the retained earnings balance as at 1 April 2018.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, and impairment of financial assets.

According to IFRS 9, financial assets should be classified as either amortised cost, fair value through other comprehensive income or fair value through profit and loss depending on the characteristic of the instrument and the business model for holding the instrument. The Group has assessed its holdings of financial instruments and equity mortgages have been reclassified from fair value though other comprehensive income to fair value through profit and loss and one loan has been reclassified from amortised cost to fair value through profit and loss.

The Group has three types of financial assets that are subject to IFRS 9's new expected credit loss model (ECL) for calculating impairment on financial assets:

- Trade receivables
- Loan investments
- Lease receivables

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. For trade receivables, the Group applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance and the resulting changes to impairment loss were not material. For loan investments and lease receivables the Group used the general approach under which the Group has to assess the credit risk status of financial assets to determine which one of three stages of credit deterioration should be applied to determine both the amount of ECL to recognise as well as how interest income should be recognised.

The effect of the reclassification of financial assets following adoption of IFRS 9 and the remeasurement of carrying amounts as at 1 April 2018 is set out in the table below:

Notes to the Financial Statements

Reclassification and remeasurement of financial assets at 1 April 2018

	Carrying amount brought forward at 1 April	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Impact on Retained Earnings
	£000	**£000**	**£000**	**£000**	**£000**
Previous classifications					
Loans and receivables	136,397	131,604	-	4,793	
Available for sale	42,624	-	-	42,624	
Reclassified amounts at 1 April 2018	**179,021**	**131,604**	**-**	**47,417**	
Remeasurements at 1 April 2018				(494)	494
Remeasured carrying amounts at 1 April 2018		**131,604**	**-**	**46,923**	

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts. The core principle of IFRS 15 is that revenue reflects the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled. The recognition of such revenue is in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price; allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied.

The Group assessed in detail the impact of IFRS 15 on the consolidated financial statements. The impact assessment covered the Group's income streams falling within the scope of IFRS 15, such as property sales and rental income. The Group concluded that IFRS 15 has an immaterial impact on the existing accounting policies for revenue recognition on the basis that the point at which control is transferred under IFRS 15 is the same as the point at which risks and rewards transferred under IAS 18. Accordingly, no adjustment to the opening balance sheet at 1 April 2018 has been recognised.

3. Statement of accounting policies

This section explains the Group'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.

Notes to the Financial Statements

The unaudited financial statements were authorised for issue by the Board of Directors on 12 June 2019 and the audited accounts were signed off by Martin Clarke, Director, on 29 June 2019 on behalf of the Board.

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 to aid the reader's understanding of the Group'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 IFRS will be applicable to the Group in future periods, subject to endorsement where applicable. The Group does not plan to adopt this standard early:

IFRS 16 Leases (effective date annual periods beginning on or after 1 January 2019) - The new standard will be applicable to the Group'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 Group does not lease in any assets on operating leases so the new standard is not expected to have an impact on the Group's financial statement.

The Group 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:

Consolidation of subsidiaries - LTL will not be consolidated into Company's group accounts on materiality grounds. The assessment considered LTL's net assets relative to the Group's net asset

position and also the nature of the service provided. At 31 March 2019 LTL's net assets total £0.2m, as compared to the Group's net asset position of £222m. LTL provide fund management services to the Greater London Authority's Group Investment Syndicate which is a service that could be procured from similarly Financial Services and Markets Act 2000 registered commercial organisations.

Carrying value of inventory - The Group 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 Group's properties, and variable 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;
- 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 Group. 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 Group impairs the carrying value. In the period to 31 March 2019, this review resulted in a £24.5m impairment charge (2017/18 - £7.8m) offset by a reversal of £1.4m of previous impairments (2017/18 £3.4m). 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.

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.

Affordable housing assumptions - 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 valuing development property and in determining the highest and best use for investment properties. 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 2019 is therefore a judgement. As the London Plan is confirmed it is possible affordable housing levels on some sites might increase, which would lead to a decrease in value.

Fair value of specialised property - 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. This requires assumptions being made on the nature, size and specification of the modern equivalent building and all other necessary improvements; and calculating the cost of providing these by reference to published building cost data. Assumptions are also made on the percentage depreciation required to adjust or depreciate all costs incurred to provide the modern equivalent asset to reflect differences between this modern equivalent and the actual asset being valued. This approach is adopted in the valuation of the Crystal Palace National Sports Centre, see Note 10.

Financial instruments – Classification - the classification decision for non-equity financial assets under IFRS 9, is dependent on two key criteria:

- The business model within which the asset is held (the business model test), and
- The contractual cash flows of the asset (the SPPI test).

Determining the appropriate business model and assessing whether the cash flows generated by an asset consist solely payments of principal and interest requires management judgement and can affect whether the financial instrument is held at amortised cost or fair value and whether changes in fair value are recognised in Profit/Loss before tax or in Other Comprehensive Income.

Financial Instruments – Allowances for Impairment Losses -The calculation of the Group's expected credit loss (ECL) against loan commitments under IFRS 9 requires the Group to make a number of judgements, assumptions and estimates.

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

An ECL reflects past performance, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Notes to the Financial Statements

Definition of default – the probability of default of an exposure, both over a 12-month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due or has failed to comply with key financial covenants and other performance obligations in development agreements.

Fair values of financial assets - where quoted market prices are not available, valuation techniques are used to value financial instruments. These include models using both observable and unobservable market inputs. The valuation techniques involve judgement with regard to the valuation models used and the inputs to these models can lead to a range of plausible valuation for financial investments. Inputs include forecast cash flows, appropriate market interest rates, housing price indices and for property backed loans a key input is the underlying property valuation.

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 Group. In 2018/19, there was an increase of £4.8m (£10.9m increase in 2017/18) in the fair value of investment properties. See note 11 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 Group. 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 Group. 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 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 Group.

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 Group. This can be very complex, especially when there is a wide range of possible outcomes. See note 23 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 Group incurred a loss after tax for the period of £32.5m (£25.5m profit for period ended 31 March 2018); the balance sheet remains strong with net assets currently totalling £226m (£255m at 31 March 2018). Further to this, the Group'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 Group to enable it to meet all its debts as they fall due.

The directors consider that this should enable the Group 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 from property and land sales is recognised in the Statement of Comprehensive Income when control transfers to the purchaser. Revenue is recognised at the fair value of the consideration received or receivable. It is considered that control passes 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 Group as lessee)

Leased assets

Leases under which the Group 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 Group'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 Group 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 Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group 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 Group 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 Group's incremental borrowing rate.

Leases (the Group as lessor)

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group'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 Group'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 comprise 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.

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 Group 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 of £10,000 and above 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 Group 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.

Notes to the Financial Statements

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

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.

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.

Notes to the Financial Statements

k) Inventories

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

Expenditure, of £10,000 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 £10,000 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 Group.

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 Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 Group 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 Group.

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.

Notes to the Financial Statements

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.

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 Group becomes a party to the contractual provision of the instruments.

Financial assets within the scope of IFRS 9 Financial Instruments ("IFRS 9") are classified as:

- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit and loss.

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Financial liabilities within the scope of IFRS 9 are classified as:

- financial liabilities at fair value through profit or loss; or
- financial liabilities at amortised cost.

The Group 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:

Amortised cost

Financial assets are classified as amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gains and losses are recognised in the profit or loss when the financial assets at amortised cost are derecognised or impaired, as well as through the amortisation process.

Loans, finance lease receivables, trade and other receivables are classified as amortised cost

Fair value through other comprehensive income

Financial assets are classified as fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements

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.

Financial assets at fair value through profit and loss

Financial assets are classified as fair value through profit and loss for all other combinations of business model and contractual cash flows falling outside the definitions of Amortised cost or Fair value through other comprehensive income and expenditure.

Assets are carried in the Statement of Financial Position at fair value with gains or losses recognised in profit or loss.

Expected Credit Loss Model

The impairment charge in the Statement of Comprehensive Income includes the change in expected credit losses. Expected credit losses are recognised for financial assets held at amortised cost, mainly loans to property developers and financial assets measured at fair value through other comprehensive income – residential mortgage backed securities. Expected credit losses are calculated as an unbiased and probability-weighted estimate using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Group at the point of default after taking into account the value of any collateral held.

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk since origination, allowance is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk since initial recognition are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. The assessment is unbiased, probability-weighted and uses forward-looking information consistent with that used in the measurement of expected credit losses. In determining whether there has been a significant increase in credit risk, the Group reviews credit ratings and qualitative indicators such as watchlists and other indicators of historical delinquency, credit weakness or financial difficulty. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since origination, the asset is transferred back to Stage 1. Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired. Default is considered to have occurred when there is evidence that the customer is experiencing financial difficulty which is likely to affect significantly the ability to repay the amount due.

Equity Mortgages

Equity mortgages are a financial instrument and are classified as fair value through profit and loss.

Equity mortgages were transferred from the Homes and Communities Agency ("HCA") to the Group 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 Group 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.

Equity Mortgages are valued with reference to published house price indices (January 2019 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.

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

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.

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 2018/19, £0.08m was payable to the Big Lottery Fund (£2.4m in 2017/18) and £0.26m was payable to the MHCLG (£8.2m in 2017/18).

Notes to the Financial Statements

5. Expenditure by type

Period ended 31 March	2019	2018
The operating profit or loss is stated after charging:	**£000**	**£000**
Cost of inventory sold	2,384	12,146
Net write down/(reversal) of inventory to net realisable value	23,087	4,390
Compulsory purchase order provision release	-	(91)
Estate management costs	10,191	10,271
Administrative costs recharge from the GLA	5,598	4,315
Depreciation expense	3,154	2,652
Auditor's fees for the audit of these financial statements	125	140
S106 liability	-	1,900
Other administrative expenses	2,883	2,213
Total cost of sales and other costs	**47,422**	**37,936**

6. Other expenses

Period ended 31 March	2019	2018
	£000	**£000**
Impairment/(write back) loss of financial assets at amortised cost	(88)	31
Loss on initial recognition of financial assets at amortised cost	(1,012)	1,853
Impairment/revaluation loss on property, plant and equipment	124	35
Impairment loss /(reversal) on financial assets at fair value through profit and loss	72	26
Total other expenses	**(904)**	**1,945**

7. Other income

Period ended 31 March	2019	2018
	£000	**£000**
Net (gain)/loss on sale of investment property	-	(470)
Net (gain)/loss on disposal of equity mortgages	375	(3,501)
Fair value (gain)/loss on equity mortgages	1,043	-
Fees and charges	(19)	(20)
Overage	(1,120)	(7,949)
Other income	(327)	(181)
Total other income	**(48)**	**(12,121)**

Notes to the Financial Statements

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

2018/19	Financial Liabilities: Amortised costs	Financial Assets: Amortised Cost	Financial Assets: Fair Value through Profit and Loss	Total
	£000	**£000**	**£000**	**£000**
Interest expense	14,670	-	-	**14,670**
Finance lease interest	2	-	-	**2**
Loss on initial recognition	-	-	(1,012)	(1,012)
Expected and actual credit losses/(reversals)	-	(88)	72	**(16)**
Total expense reported in profit or loss	**14,672**	**(88)**	**(940)**	**13,644**
Interest income	-	(5,208)	(94)	**(5,302)**
Finance lease interest	-	(4,446)		**(4,446)**
(Increase)/Decrease in fair value	-	-	1,043	**1,043**
(Gains)/Loss on derecognition	-	-	375	**375**
Unwind of discount on non-interest bearing loan	-	(425)	272	**(153)**
Total income reported in profit or loss	**-**	**(10,079)**	**1,596**	**(8,483)**
Net (gain)/loss for the period	**14,672**	**(10,167)**	**656**	**5,161**

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

Notes to the Financial Statements

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**

9. Operating leases

The Group 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.

Notes to the Financial Statements

Group as lessor

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

	31 March 2019 £000	31 March 2018 £000
Not later than one year	3,034	3,060
Later than one year and not later than five years	7,407	9,151
Later than five years	2,589	1,843
	13,030	**14,054**

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

	2018/19 £000	2017/18 £000
Rent receivable in year	3,256	3,142
	3,256	**3,142**

Notes to the Financial Statements

10. Property, plant and equipment

Movements in	2018/19 Other Land and Buildings £000	2017/18 Other Land and Buildings £000
Cost or Valuation		
At 1 April	**21,841**	**21,651**
Additions	124	-
Revaluation increases/(decreases) recognised in the revaluation reserve	825	225
Revaluation decreases recognised in Profit/(Loss)	(124)	(35)
At 31 March	**22,666**	**21,841**
Accumulated Depreciation and Impairment		
At 1 April	**(521)**	**(81)**
Depreciation charge	(3,154)	(2,652)
Depreciation written out to the Revaluation Reserve	2,424	2,212
At 31 March	**(1,251)**	**(521)**
Net Book Value		
At 1 April	**21,320**	**21,570**
At 31 March	**21,415**	**21,320**

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 2019. 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 Group 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 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 athletics 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 £250 per sq. ft. £35,000 per acre, £50,000 per acre and £100,000 per acre has been attributed to the land for the sports centre, athletics stadium and lodge respectively (reflective of their community use and Conservation Area and Metropolitan Open Land designation within the Local Plan).

The Group'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 2019 had a carrying value of £21.4m, for information, if the Group held this asset at cost, the carrying value would have been £6.9m.

Fair value gains or losses

In the year ended 31 March 2019 the Group recognised £3.2m of revaluation gains in the Other Comprehensive Income (£2.4m gain in 2017/18).

11. Investment properties

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

	2018/19 £000	2017/18 £000
Balance at 1 April	**72,058**	**68,042**
Disposals	-	(6,910)
Gains and losses included in profit or loss for the year:		
Increase/(decrease) in fair value of investment properties	4,825	10,926
Balance at 31 March	**76,883**	**72,058**

Direct operating expenses (including repairs and maintenance) incurred in relation to Investment Properties totalled £3.1m in year (£2.9m in 2017/18).

All valuations were carried out by independent external valuers, GL Hearn at 31 March 2019. 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.

Notes to the Financial Statements

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. 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 in active markets for identical assets Level 1**	**Other significant observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Fair Value as at 31 March 2019**
	£000	**£000**	**£000**	**£000**
Commercial units	-	-	76,473	**76,473**
Residential properties	-	-	410	**410**
Balance at 31 March	**-**	**-**	**76,883**	**76,883**

Notes to the Financial Statements

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

2018/19

Input	Range	Weighted Average	Sensitivity
Rental income less irrecoverable costs	£20,000 - £334,000	£200,602	Significant changes in rent growth; vacancy levels or capitalisation rate will result in a significantly lower or higher fair value
Capitalisation rate	4% - 8%	6.34%	

2017/18

Input	Range	Weighted Average	Sensitivity
Rental income less irrecoverable costs	n/a	£220,517	Significant changes in rent growth; vacancy levels or capitalisation rate will result in a significantly lower or higher fair value
Capitalisation rate	6.0% - 9.0%	6.72%	

Transfers between levels of the fair value hierarchy

The Group'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.

Notes to the Financial Statements

12. Loan Investments

	31 March 2019 £000	31 March 2018 £000
Loans to joint venture	34,706	33,807
Loan to Limited Partnership	14,028	4,793
Infrastructure loans	226,208	76,086
At 31 March	**274,942**	**114,686**

	2019 £000	2018 £000
At 1 April	**114,686**	**62,720**
Loans issued in year	158,022	52,810
Interest receivable	1,563	714
Discount Unwinding	425	259
Fair value adjustment (FVTPL)	(765)	-
Write down to fair value on initial recognition (Amortised cost)	1,011	(1,817)
At 31 March	**274,942**	**114,686**

Loans totalling £158m were advanced in year to property developers to fund the building of homes.

13. Equity Mortgages

Equity mortgages are stated at fair value and include the Group's entitlement to future income arising from financial assistance provided to homebuyers to enable them to buy homes.

	31 March 2019 £000	31 March 2018 £000
At 1 April	**42,624**	**50,332**
Disposals at cost less impairments	(1,974)	(3,795)
Fair value adjustment on disposals and revaluations	(2,991)	(3,887)
Impairment of assets held	(72)	(26)
At 31 March	**37,587**	**42,624**

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 Group'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 fair value through profit and loss financial assets during the period.

14. Finance lease receivables

Notes to the Financial Statements

Group as lessor

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

	31 March 2019 £000	31 March 2018 £000
Finance lease debtor (net present value of minimum lease payments):		
Current	16,662	57,655
Non-current	82,019	84,230
Unearned finance income	9,071	13,518
Gross investment in the lease	**107,752**	**155,403**

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

	31 March 2019 £000	31 March 2018 £000
Not later than one year	16,912	58,533
Later than one year and not later than five years	87,783	93,592
Later than five years	3,057	3,278
	107,752	**155,403**

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

	31 March 2019 £000	31 March 2018 £000
Not later than one year	16,662	57,655
Later than one year and not later than five years	80,627	82,714
Later than five years	1,392	1,516
	98,681	**141,885**

Details of the Group'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;
- 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 £0.98m was receivable in 2018/19.

15. Trade and other receivables

	31 March 2019 £000	31 March 2018 £000
Current		
Trade receivables due from related parties	2,331	169
Other trade receivables	11,961	16,129
Accrued income	5,579	5,330
Prepayments	52	31
	19,923	**21,659**
Non-current		
Amounts due from third parties	51	56
	51	**56**

16. Taxation

Tax recognised in profit and loss

For the period ended 31 March	**2019 £000**	**2018 £000**
Corporation tax rate on profits for the year	19%	19%
Corporation tax on profits for the year	(1,048)	2924
Prior year adjustment	347	1,662
Current tax charge	**(701)**	**4,586**
Deferred tax	(1,430)	783
Effect of tax losses	81	1,544
	(2,050)	**6,913**
Effect of reductions in corporation tax rate	144	(244)
Tax expense from continuing operations	**(1,906)**	**6,669**

Notes to the Financial Statements

Tax recognised in other comprehensive income

For the period ended 31 March	2019 £000	2018 £000
Deferred tax	(5)	2,138

For the period ended 31 March	2019		
	Before tax £000	Tax £000	After tax £000
Revaluation of property plant and equipment	(3,249)	(5)	(3,254)
	(3,249)	**(5)**	**(3,254)**

For the period ended 31 March	2018		
	Before tax £000	Tax £000	After tax £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**

Reconciliation of tax charge

For the period ended 31 March	2,019 £000	2,018 £000
Profit/(Loss) before tax	**(34,436)**	**32,177**
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (year to 31 March 2018 19%)	**(6,543)**	**6,114**
Effects of:		
Historic tax basis in development properties	(68)	24
Prior year adjustment corporation tax	347	1,662
Disallowable items	847	547
Brought forward losses utilised	-	(389)
Indexation allowance and other differences on capital gains	(3)	(419)
Exceptional write down of development stock	4,015	-
Corporate interest restriction	1,661	-
Adjustments to Equity Mortgages	(2,162)	(870)
Total tax charge for the year	**(1,906)**	**6,669**

Notes to the Financial Statements

Recognised deferred tax liabilities

	1 April 2018	Movement in year	Reduction in tax rate	31 March 2019
	£000	£000	£000	£000
Development stock	3,143	(157)	16	3,002
Equity Mortgages	2,227	(2,340)	246	133
Trading losses	(1,572)	81	(8)	(1,499)
Accelerated capital allowances	13	46	(3)	56
Net deferred tax on trading items	**3,811**	**(2,370)**	**251**	**1,692**
Property, plant and equipment	2,154	(6)	1	2,149
Investment properties	5,862	1,021	(107)	6,776
Total deferred tax liabilities	**11,827**	**(1,355)**	**145**	**10,617**

	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**

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

Unrecognised deferred tax asset

	2019	2018
	£000	**£000**
Trading and other losses	165,454	166,831

Deferred tax has been computed at 17% to arrive at the deferred tax assets. This is the rate at which the assets would reverse. 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 2019 £000	31 March 2018 £000
Property/development assets:		
Land and buildings	246,544	258,484
	246,544	**258,484**
Balance at 1 April	**258,484**	**219,207**
Additions in year	13,531	55,813
Included in Cost of Sales:		
Cost of property sold	(2,384)	(12,146)
Write down to net realisable value	(24,533)	(7,815)
Reversal of write downs	1,446	3,425
Balance at 31 March	**246,544**	**258,484**

Additions in year

A significant addition in year is the purchase of a 1.4-hectare site at the North Middlesex University Hospital in Edmonton, London, for the delivery of at least 200 homes, 50 per cent of which will be social rented or affordable housing.

Cost of inventory sold

Inventory consists of property/development assets. Disposals during the year amounted to £2.4m (2017/18 - £12.1m) 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 £24.5m (2017/18 - £7.8m), these were largely due to the increase in the proportion of affordable housing in existing and new developments.

Reversal of write downs

The write-back of £1.4m is largely due to the fair value of a site now reflecting planning permission.

Valuation

The realisable value of the Group's development properties at 31 March 2019 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 2019 £000	31 March 2018 £000
Bank current accounts	1,221	352
Other deposits	33,703	26,641
	34,924	**26,993**

19. Trade and other payables

	Company 31 March 2019 £000	Group 31 March 2019 £000	Group 31 March 2018 £000
Current			
Trade payables due to related parties	-	(2,362)	(1,552)
Other trade payables	-	(6,632)	(16,060)
Accrued expenses	-	(12,953)	(7,301)
Deferred income	-	(876)	(747)
	-	**(22,823)**	**(25,660)**
Non-current			
Trade payables due to related parties *	(125)	(125)	-
Other trade payables	-	(36)	(40)
Deferred income	-	(11,886)	(11,886)
	(125)	**(12,047)**	**(11,926)**

*As LTL has not been consolidated the £125k equity investment has not been eliminated in the Group figures.

20. Finance lease liabilities

Group as lessee

The Group 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:

Carrying value of assets	31 March 2019 £000	31 March 2018 £000
Other Land and Buildings	21,415	21,320
Investment Property	24,190	23,405
Development Properties	11,216	11,258
	56,821	**55,983**

Notes to the Financial Statements

The Group 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 2019 £000	31 March 2018 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	1	1
Non-current	37	38
Finance costs payable in future years	47	49
Minimum lease payments	**85**	**88**

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

	31 March 2019 £000	31 March 2018 £000
Not later than one year	3	3
Later than one year and not later than five years	11	11
Later than five years	71	74
	85	**88**

The present value of the minimum lease payments:

	31 March 2019 £000	31 March 2018 £000
Not later than one year	1	1
Later than one year and not later than five years	5	5
Later than five years	32	33
	38	**39**

Details of the Group's finance leases as lessee include:
Held as Property, Plant and Equipment on the Statement of Financial Position:

- **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 small 1.04acre portion of the site is held on 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 Group.
- **Thames Wharf** - two long leases (57 and 60 years long) the Group took out with the London Borough of Newham at Thames Wharf as part of the larger property. Both leases expire in 2026;

Notes to the Financial Statements

- **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 Group on a 125-year lease ending in 2126.

21. Financial instruments

Categories of financial instruments

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

	Company Carrying Value 31 March 2019 £000	Group Carrying Value 31 March 2019 £000	Group Carrying Value 31 March 2018 £000
Investments-Non-current			
Financial assets at amortised cost	125	261,039	-
Loans and receivables	-	-	114,686
Available for sale financial assets	-	-	42,624
Financial assets at fair value through profit and loss	-	51,615	-
Total investments	**125**	**312,654**	**157,310**
Receivables Non-current			
Financial assets at amortised costs	-	51	-
Loans and receivables	-	-	56
Finance lease receivables	-	82,019	84,230
Total Receivables	**-**	**82,070**	**84,286**
Borrowings-Non current			
Financial liabilities at amortised cost	-	(285,000)	(280,000)
Total borrowings	**-**	**(285,000)**	**(280,000)**
Other Non current Liabilities			
Finance lease liabilities	-	(37)	(38)
Total other Non current liabilities	**-**	**(37)**	**(38)**
Payables Non-current			
Financial liabilities at amortised cost	(125)	(161)	(40)
Total Payables	**(125)**	**(161)**	**(40)**

Notes to the Financial Statements

	Carrying Value 31 March 2019 £000	Carrying Value 31 March 2018 £000
Investments Current		
Financial assets at amortised cost	577	-
Loans and receivables	-	415
Total investments	**577**	**415**
Receivables Current		
Financial assets at amortised cost	14,869	-
Loans and receivables	-	21,240
Finance lease receivables	16,662	57,655
Total Debtors	**31,531**	**78,895**
Cash and cash equivalents	**34,924**	**26,993**
Borrowings Current		
Financial liabilities at amortised cost	(253,001)	(110,709)
Total borrowings	**(253,001)**	**(110,709)**
Other Current Liabilities		
Finance lease liabilities	(1)	(1)
Total other current liabilities	**(1)**	**(1)**
Payables Current		
Financial liabilities at amortised cost	(21,947)	(15,993)
Total Payables	**(21,947)**	**(15,993)**

Unquoted equity investments at cost

The Greater London Authority transferred its share holdings in RoDMA to the Group for nil consideration on 3 October 2013. The Group disposes of shares in RoDMA as and when leases are granted by RoDMA to new leaseholders. There were no share disposals during the year.

Fair values of financial assets and liabilities

The fair value of financial assets and liabilities 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 2019 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;

- The discount rates used to determine the net present values of investments are the market rates available as at 31 March 2019 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;
- For real estate backed property loans the fair value is based on discounted future cash flows capped at the current valuation of the underlying property assets 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 2019 Carrying amount**	**31 March 2019 Fair Value**	**31 March 2018 Carrying amount**	**31 March 2018 Fair Value**
	£000	**£000**	**£000**	**£000**
Borrowing Non-current	(285,000)	(309,552)	(280,000)	(300,248)
Borrowing Current	(253,001)	(253,001)	(110,709)	(110,709)

	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
	£000	**£000**	**£000**	**£000**
Loan Investments Non-current and current at Amortised Cost	261,491	261,491	115,101	115,101
Financial assets at FVTPL	51,615	51,615	-	-
Available for Sale Financial Assets	-	-	42,624	42,624

The fair value of borrowing is higher than the carrying amount because the interest rate payable on the Group'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 2019) arising from a commitment to pay interest to the Greater London Authority above current market rates.

22. Financial risk management

The Group'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 Group 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 Group's cash position is delegated to the ultimate parent, the Greater London Authority, which maintains a professional group treasury team.

Credit risk

The Group'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 maintained a high credit standing (AA with negative outlook) and high levels of central

government support. The Group 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 Group is exposed to risk of default on the loan investments referred to in Note 12, however the Group 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 2019 is £113.6m (£163.2m - 31 March 2018).

Liquidity risk

All of the Group's cash is accessible immediately being held on callable deposit with the ultimate parent or in the Group'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 Group'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 Group being unable to meet its financial obligations as they fall due.

Borrowings

	Interest rate	31 March 2019 £000	31 March 2018 £000
Non-current			
Amounts due to ultimate parent	Fixed: 3.33%	(285,000)	(245,000)
Amounts due to ultimate parent	Fixed: 3.03%	-	(35,000)
		(285,000)	**(280,000)**
Current			
Amounts due to ultimate parent (Housing Zones)	Variable: EU reference rate plus 0.6%	-	(20,000)
Amounts due to ultimate parent (Housing Zones)	Fixed: 2.24% to 5.25%	(166,991)	(68,850)
Amounts due to ultimate parent (Other Property)	Fixed: 2.24% to 5.25%	(67,670)	-
Amounts due to ultimate parent	Fixed: 3.33%	(15,000)	(20,000)
Interest owed as at 31 March		(3,340)	(1,859)
		(253,001)	**(110,709)**

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

	31 March 2019 £000	31 March 2018 £000
Within one year-Principal	(249,661)	(108,850)
Within one year-Interest	(3,340)	(1,859)
Greater than one and up to two years-Principal	(35,000)	(15,000)
Greater than two and up to five years-Principal	(150,000)	(175,000)
Greater than five and up to ten years-Principal	(65,000)	(55,000)
More than ten years-Principal	(35,000)	(35,000)
	(538,001)	**(390,709)**

Notes to the Financial Statements

Market risk

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

Loan investments

£26.8m of the Group'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 0.75% fall would lead to a reduction in receipts of £0.2m.

Equity mortgages

At 31 March 2019, if UK house prices had been 1% lower and all other variables were held constant, the Group's house price linked 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 2018	**(3,897)**	**(895)**	**(4,792)**
Additional provisions made during the period	(17)	-	**(17)**
Amounts used in year	1,900	-	**1,900**
Unused amounts reversed in year	240	-	**240**
Balance at 31 March 2019	**(1,774)**	**(895)**	**(2,669)**

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 2019/20.

Other provisions

Details of the more significant provisions are provided below.

Millfield Transfer Station – the Group, 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. Following a review, this provision has been released in full as the probability of expenditure occurring is now remote.

S106 Obligation – the Group settled a legal obligation under a S106 agreement to a London borough for transport related works in 2018/19. This provision of £1.9m has been fully utilised in 2018/19.

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 £1.8m.

Notes to the Financial Statements

24. Contingent liabilities and assets

Contingent liabilities

The Group 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 2019 £000	31 March 2018 £000
Contingent Liabilities	(52,086)	(55,273)

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 Group 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 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 2019.

Contingent assets

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

25. Contractual commitments

As at 31 March 2019 capital contractual commitments total £4.6m in respect of infrastructure works at Highmans Way on the East+ site; there were no capital commitments at 31 March 2018.

Notes to the Financial Statements

26. Cash Flow

Adjustments to profit and loss for non-cash movements:

For the period ended 31 March	2019 £000	2018 £000
Depreciation and impairment of property, plant and equipment	(3,278)	(2,687)
Impairment of available for sale financial assets	(72)	(26)
Fair value (gain)/loss on equity mortgages	(1,043)	-
Change in fair value of investment property	4,825	10,926
Net (gain)/loss from financial assets at fair value through profit and loss	(766)	-
Movement in interest receivable	1,727	1,069
Movement in interest payable	(1,481)	(1,431)
Write down of loan investments to fair value	1,012	(1,817)
Other non cash movements	919	259
(Increase)/ decrease in payables	2,841	(8,843)
Increase/(decrease) in receivables	(5,772)	129
Increase/ (decrease) in inventory	(11,940)	39,277
(Increase)/ decrease in provisions	2,140	(953)
Increase/(decrease) in finance lease receivables	(43,204)	(5,751)
Tax expense	4,967	(3,918)
	(49,125)	**26,234**

Adjustments to profit and loss for investing and financing activities:

For the period ended 31 March	2019 £000	2018 £000
Gain/(loss) on equity mortgages	(375)	3,500
Gain/(loss) on sale of investment property	-	470
	(375)	**3,970**

Cash Flow Statement – included in operating activities

For the period ended 31 March	2019 £000	2018 £000
Interest received	(3,189)	(1,054)
Interest paid	11,332	9,992
Corporation tax paid	3,055	2,750

Cash Flow Statement – Investing Activities

Notes to the Financial Statements

For the period ended 31 March	2019 £000	2018 £000
Purchase of property, plant and equipment, investment property and intangible assets	125	1
Purchase of short-term and long-term investments	158,020	52,811
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-	(7,380)
Proceeds from the sale of available for sale financial assets	(3,295)	(6,870)
Net cash flows from investing activities	**154,850**	**38,562**

Cash Flow Statement – Financing Activities

	2019 £000	2018 £000
Cash receipts of short and long-term borrowing	(145,811)	(68,851)
Repayments of short and long-term borrowing	-	7,944
Net cash flows from financing activities	**(145,811)**	**(60,907)**

27. Capital and Reserves

Ordinary shares

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

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

Revaluation reserve

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

Greater London Authority Holdings Limited is a wholly owned subsidiary of the Greater London Authority. The board members of GLAH 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.

Subsidiary (unconsolidated)

London Treasury Limited

London Treasury Ltd was acquired by the Company on 21 August 2018 and operates under the Financial Services and Markets Act 2000 authorisation. It exists to provide treasury management

services to the Greater London Authority, its functional bodies (except Transport for London) and to London boroughs.

The Company is the sole member and holds shares totalling £125,000.

At 31 March 2019, LTL's net assets totalled £146k.

Transactions with ultimate parent

GLAP

During the year, the Greater London Authority (GLA) charged GLAP £5.6m for staff, accommodation and other overhead costs (£4.3m in 2017/18).

Loans from GLA to GLAP total £535m (£389m in 2017/18) with interest of £14.7m payable to the GLA in respect of these loans and in-year temporary borrowing (£11.8m in 2017/18) (see notes 21 and 22 for further details).

At 31 March 2019, GLAP had £33.7m surplus cash on deposit with the GLA.

LTL

In 2018/19 the GLA paid £ 334k to LTL.

Balances owed to and by the GLA, at 31 March 2019, are reported in note 19 and note 15

Transactions with joint venture

Barking Riverside Limited

Barking Riverside Limited is a joint venture between London & Quadrant New Homes Limited and GLAP.

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.

GLAP 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.

GLAP acquired, from the Homes and Communities Agency, two loan investments provided to Barking Riverside Limited at 31 March 2019 these loan advances totalled £34.7m (see note 12). This includes £0.6m interest receivable which was rolled-up and added to the loan principal.

In 2018/19, a loan facility of £48m was approved to part fund rail infrastructure at the Barking Riverside development site; of this £5.7m was advanced on 29 March 2019.

Notes to the Financial Statements

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 2019, GLAP continues to hold 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; GLAP therefore has significant influence but does not control RoDMA. RoDMA is held as an associate in GLAP's financial statements but, as it was acquired at nil cost, there is no carrying value in the GLAP's accounts.

During 2018/19, £0.5m was payable to RoDMA for service charges, insurance and a contribution towards the refurbishment costs of RoDMA Pontoon.

Other related parties

Greenwich Peninsula Estate Management Limited

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

- There were no transactions between the Group and Greenwich Peninsula Estate Management Limited in the year ended 31 March 2019.

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, GLAP became a limited partner. At 31 March 2019, GLAP had made a capital contribution of £1.5k and an interest free loan of £14.8m.

30. Events occurring after the reporting date

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