Greater London Authority Holdings Limited

Annual Report and Financial Statements
Period 25 January 2012 to 31 March 2013

AUDITED

Registered Office
Windsor House
42-50 Victoria Street
London SW1H 0TL

Registered in England and Wales
07923665

Contents

Directors' Report and Business Review

Introduction

The directors present their first report on the affairs of Greater London Authority Holdings Limited (the "Company") and its subsidiary GLA Land and Property Limited ("GLAP", together the "Group") together with the audited group financial statements for the Company and Group's first accounting period of 25 January 2012 to 31 March 2013 ("first accounting period").

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 activity

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

Other than the £1 shareholding in GLA Land and Property Limited, Greater London Authority Holdings Limited did not undertake any transactions in the period. All transactions reported in the period relate to GLA Land and Property Limited activity.

Business review

The Company is incorporated and domiciled in England and Wales. The Company does not trade, however it subsidiary GLA Land and Property Limited ("GLAP") commenced trading on 1 April 2012.

Under the Localism Act 2011, the Company took over the commercial activities in London of the Homes and Communities Agency and the London Development Agency on 1 April 2012. During the period under review, it also received assets and related liabilities (excluding those within the Queen Elizabeth Olympic Park) from the London Thames Gateway Development Corporation.

The most significant single development is Greenwich Peninsula and, in recognition of the level of national investment in the site, the Company entered into an agreement with the Department for Communities and Local Government to share future receipts from this development.

The Company also assumed responsibility for the borrowings incurred by the London Development Agency in assembling the land required for the staging of the 2012 Olympic and Paralympic Games and responsibility for settling outstanding claims in respect of compulsory purchase orders that were served, primarily in connection with this land assembly programme. After reviewing the provisions made by the London Development Agency in respect of these claims, the Directors are of the opinion that a further provision of £21.5 million is required and this has been reflected during the period. It is anticipated that borrowings will be repaid and outstanding claims settled from the proceeds of future disposals of land and property.

The Company's land interests are held at the lower of cost or net realisable value as at 31 March 2013.

The Company held financial instruments at fair value.

The Company entered into two major development agreements after the end of the financial period, which have an estimated gross development value of £2.5 billion and are expected to create £12.5 billion of economic benefit for the UK economy over the next 25 years.

Directors' Report and Business Review

The Company plans to continue to develop its land and property with the primary aims of creating jobs and housing in London.

Share capital

The Company had one share in issue at 25 January 2012 and 31 March 2013.

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 first accounting period were:

Martin Clarke
David Lunts
Edward Udny-Lister

All appointed 10 February 2012.

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

Risk management

The Group has a risk management process and arrangements that enables 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 perform duties on behalf of the 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 first accounting period.

Dividends

It is not proposed to declare a dividend for the period 25 January 2012 to 31 March 2013.

Corporate governance

Directors' Report and Business Review

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

Martin Clarke
Director

30 September 2013

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 Group and the Company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with Adopted IFRSs; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report

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

We have audited the financial statements of Greater London Authority Holdings Limited for the year ended 31 March 2013 which comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statements of Changes in Equity, the Group Statement of Cash Flow and the related notes 1 to 30. 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.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2013 and of its 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 and as applied 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.

Independent Auditor's Report

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the 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.

Karl Havers (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
30th September 2013

Group Statement of Comprehensive Income

Period 25 January 2012 to 31 March 2013

	Notes	£000	£000
Continuing operations			
Income from property disposals		(54,587)	
Rental and other property income		(7,119)	(61,706)
Cost of sales	4,16	53,736	
Estate management costs	4	9,460	63,196
Gross (profit) / loss			**1,490**
Compulsory purchase order costs	4		21,528
Professional fees and other costs	4		5,374
Administrative expenses	4		5,713
Other expenses	6		2,804
(Profit) /loss from operations			**36,909**
Other income	5		(5,473)
Finance income	7		(1,643)
Finance costs	7		10,006
(Profit)/loss before tax			**39,799**
Tax	15		18
(Profit)/loss for the period			**39,817**
Other comprehensive (income)/expense:			
Revaluation of property, plant and equipment			(1,801)
Net change in fair value of available-for-sale financial assets			(2,472)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss			7,408
Tax on other comprehensive income			83
Other comprehensive (income)/expense, net of tax			**3,218**
Total comprehensive (income)/expense recognised for the period			**43,035**

Group Statement of Financial Position

Group as at 31 March

	Note	31 March 2013 £000
Non-current assets		
Property, plant and equipment	9	14,326
Investment property	10	34,956
Loan investments	11	33,693
Available for sale financial assets	12	54,117
Finance lease receivables	13	6,814
Trade and other receivables	14	12,644
Total Non-current assets		**156,550**
Current assets		
Inventories	16	262,229
Loan investments	11	1,842
Finance lease receivables	13	7,255
Trade and other receivables	14	11,841
Cash and cash equivalents	17	34,748
Total current assets		**317,915**
Total assets		**474,465**
Current liabilities		
Borrowings and overdrafts	17	(336)
Trade and other payables	18	(39,612)
Finance lease liabilities	19	(1)
Provisions	22	(1,150)
Total current liabilities		**(41,099)**
Non-current liabilities		
Borrowings	21	(300,000)
Trade and other payables		(297)
Finance lease liabilities	19	(329)
Provisions	22	(21,528)
Deferred tax liability	15	(1,599)
Total non-current liabilities		**(323,753)**
Total liabilities		**(364,852)**
Net assets		**109,613**
Equity		
Share Capital		
Revaluation reserve	27	(9,645)
Fair value reserve	27	(19,200)
Pooling of interests reserve	27	(118,115)
Retained earnings		37,347
Total equity		**(109,613)**

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

The financial statements were approved by the Board and authorised for issue on 27 June 2013. The financial statements also comprise the notes on pages 13 to 50.

Martin Clarke
Director

Group Statement of Changes in Equity

as at 31 March 2013

	Share capital* £000	Pooling of interests reserve £000	Fair Value reserve £000	Revaluation Reserve £000	Retained earnings £000	Total equity £000
At 16 Jan 2012	-	-	-	-	-	-
Balances acquired on 1 April 2012	-	(119,613)	(24,136)	(7,927)	(2,470)	**(154,146)**
Adjustment to opening balances for deferred tax on Crystal Palace		1,498				**1,498**
(Profit)/loss for the year	-	-	-	-	39,817	**39,817**
Revaluation of property, plant and equipment	-	-	-	(1,801)	-	**(1,801)**
Net change in the fair value adjustments on available-for-sale financial assets	-	-	4,936	-	-	**4,936**
Tax on items above	-	-	-	83		**83**
Total comprehensive (income)/expense recognised for the year ended 31 March 2013	**-**	**-**	**4,936**	**(1,718)**	**39,817**	**43,035**
Issue of shares	**-**	**-**	**-**	**-**	**-**	**-**
At 31 March 2013	**-**	**(118,115)**	**(19,200)**	**(9,645)**	**37,347**	**(109,613)**

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

Group Statement of Cash Flows

For the period ended 31 March 2013

	Notes	£000
(Profit)/loss for the year		39,817
Adjustments to profit or loss for non-cash movements	26	(66,940)
Adjustments for items included in the profit or loss that are investing and financing activities	26	8,159
Net cash flows from Operating Activities		**(18,964)**
Investing Activities	26	(15,446)
Net increase or decrease in cash and cash equivalents		**(34,410)**
Cash and cash equivalents at the beginning of the reporting period		(2)
Cash and cash equivalents at the end of the reporting period		**(34,412)**

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 Windsor House, 42-50 Victoria Street, London, SW1H 0TL.

2. 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.

The unaudited financial statements were authorised for issue by the Board of Directors on 27 June 2013.

Basis of measurement

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

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

b) New standards and interpretations

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

The following revisions to IFRS will be applicable in future periods, subject to endorsement where applicable. The Group does not plan to adopt these standards early:

IFRS 7 Financial Instruments: Disclosures (offsetting financial assets and liabilities, December 2011). These amendments require an entity to disclose information about rights of set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32. Mandatory application is required for accounting periods beginning on or after 1 January 2013.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities have been issued along with revised versions of IAS 27 Separate Financial Statements and IAS 28 Associates; additionally IAS 31 Joint Ventures has been withdrawn. These standards form a single package of proposals with mandatory application from 1 January 2014. The aim of these standards is to improve the quality of reporting in relation to the consolidation of subsidiaries, special purpose vehicles and accounting for joint arrangements. The Group has interests in other entities but it is not expected that the requirements of these standards will materially affect the Group's financial statements.

IFRS 13 Fair Value Measurement- IFRS 13 Fair Value Measurement has been issued. This standard aims to provide a single source of fair value measurement and disclosure requirements for use across IFRS. The implementation of IFRS 13 does not change where fair value is or is not applied under IFRS and will not require a restatement of historical transactions. Mandatory application is required for accounting periods beginning on or after 1 January 2013.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income - This amendment changes the disclosure of items presented in other comprehensive income grouping them into items which recycle to profit and loss and items which will not. Apart from the change in disclosure, this amendment will have little impact on the Group Accounts. Mandatory application (subject to EU endorsement) is for accounting periods beginning on or after 1 July 2012.

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) Accounting for business combinations - Pooling of interests method

Under the Localism Act 2011, the Secretary of State transferred to the Greater London Authority and to the Company’s subsidiary, GLA Land and Property Limited, the property, rights and liabilities of the London Development Agency and of the Homes and Communities Agency London. The transfers took place on 31 March 2012 and on 1 April 2012 respectively. The allocation of the property, rights and liabilities between the GLA and GLA Land and Property Limited is set out in the Greater London Authority and London Development Agency Transfer Scheme 2012 and the Greater London Authority and the Homes and Communities Agency Transfer Scheme 2012, and was broadly based on the principle that staff, pension liabilities and compulsory purchase order liabilities transferred to the Authority and land and property assets and liabilities transferred to the limited company.

Under section 165B of the Local Government, Planning and Land Act 1980 the Secretary of State transferred by Order specified property, rights and liabilities of the London Thames Gateway Development Corporation transferred to the Greater London Authority on 16 April 2012. The London Thames Gateway Development Corporation (Transfer of Property, Rights and Liabilities) (Greater London Authority) Order 2012 (SI 2012 No 872) details the property, rights and liabilities that transferred. The Authority then transferred on the land and other property and property related rights and liabilities to GLA Land and Property Limited.

The Pooling of Interests Method has been used to account for the transfers of the assets, liabilities and reserves to the GLA Land and Property Limited. All the transfers have been accounted for as occurring on 1 April 2012, and the assets, liabilities and reserves have been transferred at their carrying amount as at 1 April 2012 after making adjustments required for changes in accounting policies and intercompany balances.

The main accounting policy adjustment concerned accounting for Development Property which is accounted for as inventory in the GLA Land and Property Limited under IAS2. The LDA and HCA measured development assets at market value and the assets were transferred with their associated revaluation reserves. Under IAS 2, property accounted for as inventory should be measured at the lower of cost and net realisable value so any assets revalued upwards have been written down to their historical cost with the charge to the revaluation reserve. Any balance left on the revaluation reserve has been written off to the Pooling of Interests reserve. Where the market value of development assets was less than their historical cost then these assets were recognised at the book value of these assets in the accounts of the LDA and HCA.

Any balances transferred to Retained Earnings become distributable reserves. A prudent approach has been taken in determining the balance on this reserve as at 1 April 2012; as such, the carrying value of current assets and current and non-current liabilities have been credited / debited to Retained Earnings, all other balances have been contra debited or credited to the Pooling of Interests Reserve which effectively locks as unusable any pre-transfer balances.

As the Company commenced trading on 1 April 2012, there are no comparators in the financial statements.

d) 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 ongoing 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 are disclosed below:

Pooling of interests method - As the Group will be reporting under EU adopted IFRS, for the Group to be excluded from the requirement of IFRS 3 Business Combinations the Directors of the GLA Land and Property Limited are required to demonstrate that all of the combining (the London Development Agency (LDA), the Homes and Communities Agency (HCA), the London Thames gateway Development Corporation (LTGDC), the Greater London Authority (GLA) and the Company) are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

The LDA and LTGDC were, and the HCA and GLA are, financially dependent upon central government grants and the Secretary of State for Communities and Local Government has a continuing influence over their operating and financial policies. It is therefore reasonable to conclude that these transfers into the Company are excluded from the provisions of IFRS 3 which requires the use of acquisition accounting for business combinations, unless the combining entities are under common control.

It is therefore the view of the Directors that the transfer of HCA, LDA and LTGDC to GLA Land and Property Limited meets the definition of a business combination as it involves the transfer of these entities' assets, liabilities and cash. The assets transferred, include land and buildings of significant value which are the inputs required to operate the business of developing and selling property assets.

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 balance sheet 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 the current market conditions. Valuations are performed by qualified independent external valuers. The key judgements in these reviews are estimating the realisable value which is determined by using the comparison method when there is good evidence, and/or the residual method, particularly on more complex and bespoke proposals, less estimated selling costs, estimated remediation costs and estimated costs to complete. Sales prices are estimated on a site-by-site basis based upon local market conditions and take into account the current prices being achieved on comparable sites.

Where the estimated net realisable value is less than its carrying value within the balance sheet, the Group has impaired the land property and development in progress value. In the period to 31 March 2013, this review resulted in £18 m impairment charge. See note 16 for further details.

Fair value of investment properties - For income producing properties, the Valuers adopted an investment approach where they applied a capitalisation rate, as a multiplier, against the current and, if any, reversionary income streams. Following market practice they construct their valuations adopting hardcore methodology where the reversions are generated from regular short term uplifts of market rent. They would normally apply a term and reversion approach 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 "The Red Book" (7th edition). 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, may also be valued and analysed on a comparison method with other capital value transactions where applicable.

Owner-occupied properties are valued on the basis of existing use value, thereby assuming the premises are vacant and will be required for the continuance of the existing business. Such valuations ignore any higher value that might exist from an alternative use.

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

Available for sale financial assets are valued with reference to published house price indices (published in April following each year end). For equity interests in housing units, the fair value at the balance sheet date is calculated using movements in the Office for National Statistics house price index for the London region, this being the most relevant available observable market data. However these only provide an estimate of the fair value of these assets because house price indices cannot accurately predict the value of individual units and disposal proceeds to date, although a good indicator of market performance may not occur at the same level in the future as disposals to date represent only a small portion of the portfolio.

At 31 March 2013 the asset recognised on the balance sheet was £54.1m. See note 12 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 (j). The selection of these residual values and estimated lives requires the exercise of management judgement. See note 9 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 13 and 19 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 22 for further details.

Classification of investment properties - IAS 40 *Investment properties* ("IAS 40") requires that properties are classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals. To comply with IAS 40, judgement needs to be exercised in determining whether these properties should be classified as investment properties in accordance with IAS 40. As investment properties are valued at fair value, with movements in the fair value being recorded in the income statement, this could have a significant effect on the financial performance of the Group.

e) Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the Group's loss for the period of £39.8m; the directors believe this basis to be appropriate for the following reasons:

The Greater London Authority has provided written assurances to the company's directors that, so long as the company is a subsidiary of the GLA, the GLA will continue to make sufficient monies available to the company to enable it to meet all its debts as they fall due.

The directors consider that this should enable the Company and 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

Notes to the Financial Statements

f) Revenue

Revenue comprises the fair value of the consideration received or receivable, net of value added tax. Revenue is recognised as follows:

Development properties and land sales

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

Rental income

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

g) 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.

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.

h) Financing income and expenses

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

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

i) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the income statement 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.

Notes to the Financial Statements

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.

j) Property, plant and equipment

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

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the 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 Balance Sheet using the following measurement bases:

Property - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV). Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

Assets included in the Balance Sheet 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 income statement.

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 income statement.

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, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to Retained Earnings.

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 have 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.

Notes to the Financial Statements

Disposals
When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to income statement as part of the gain or loss on disposal. Receipts from disposals are credited to the income statement 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.

k) 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 income statement.

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 income statement. 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.

l) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and those overheads which have been incurred in bringing the inventories to their present location and condition. 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 is inventory when the significant risks and rewards of ownership have been transferred to the Group.

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

m) 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.

n) 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 Balance Sheet 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 Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

o) Reserves

Retained earnings represent the accumulated surplus or deficit to date.

p) 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 IAS 39 *Financial Instruments: Recognition and Measurement* ('IAS 39') are classified as:

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

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

The 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:

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

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

Loans and receivables

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

Loans

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

Trade and other receivables

Trade and other receivables are measured at amortised cost less a provision for impairment. The provision is based on objective evidence that the company will not be able to recover all amounts due, through a review of all accounts and experience of collecting outstanding balances. The net of these balances are classified as 'trade and other receivables' in the Statement of Financial Position.

Available for sale financial assets

The Group provides financial assistance to home buyers to buy a share in a new build home. The buyer must take out an affordable mortgage, which along with any deposit, must make up a minimum of 50% of the full purchase price of the property. In return the Group will assist with up to 50% of the full property price. The assistance is paid to the participating housebuilder, not the buyer. However, 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. The Group's entitlement to the future sale proceeds on these properties is classified as being available for sale and is stated at fair value.

Available for sale financial assets are valued with reference to published house price indices (published in April following each year end). For equity interests in housing units, the fair value at the balance sheet date is calculated using movements in the Office for National Statistics house price index for the London region, this being the most relevant available observable market data. However these only provide an estimate of the fair value of these assets because house price indices cannot accurately predict the value of individual units and disposal proceeds to date, although a good indicator of market performance, may not occur at the same level in the future, as disposals to date represent only a small portion of the portfolio.

The Group makes investments in some private sector developments, where the returns are based on a share of the profitability of the scheme. These investments are also classified as available for sale and are stated at fair value.

Notes to the Financial Statements

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

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

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

Cash and cash equivalents

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

Financial liabilities measured at amortised cost

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

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

Trade and other payables

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

Interest bearing loans and borrowings

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

Obligations under finance leases

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

Impairment of financial assets

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

Notes to the Financial Statements

3. Opening Balance Sheet

The table below provide details of the assets, liabilities, reserves acquired on 1 April 2012 from the GLA, LDA, HCA (London) and LTGDC.

Balance Sheet as at 1 April 2012

	1 April 2012 **£000**
Non-current assets	
Property, plant and equipment	13,520
Investment property	37,800
Loan investments	34,462
Available for sale financial assets	49,107
Finance lease receivables	7,732
Total Non-current assets	**142,621**
Current assets	
Inventories	309,054
Loan investments	17,966
Finance lease receivables	8,516
Trade and other receivables	6,800
Cash and cash equivalents	2
Total current assets	**342,338**
Total assets	**484,959**
Current liabilities	
Trade and other payables	(29,099)
Provisions	(1,150)
Deferred income	-
Total current liabilities	**(30,249)**
Non-current liabilities	
Borrowings	(300,000)
Trade and other payables	(234)
Finance lease liabilities	(330)
Total non-current liabilities	**(300,564)**
Total liabilities	**(330,813)**
Net Assets	**154,146**
Equity	
Share Capital*	-
Revaluation reserve	(7,927)
Fair value reserve	(24,136)
Pooling of interests reserve	(119,613)
Retained earnigns	(2,470)
Total equity	**(154,146)**

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

Notes to the Financial Statements

4. Expenses by nature

Period ended 31 March	2013
The operating profit or loss is stated after charging:	**£000**
Cost of inventory sold	35,325
Write down of inventory to net realisable value	18,411
Compulsory purchase order provision	21,528
Estate management costs	9,460
Administrative costs recharge from the GLA	4,516
Agents fees - mortgages	1,680
Depreciation expense	995
Auditor's fees for the audit of these financial statements	112
Other expenses	3,784
Total cost of sales and administrative expenses	**95,811**

5. Other income

Period ended 31 March	2013
	£000
Net (gain)/loss on sale of investment property	(220)
Net change in fair value of investment property	2,814
Net (gain)/loss on disposal of available-for-sale financial assets reclassified from equity	(7,938)
Fees and charges	(113)
Other income	(16)
Total other income	**(5,473)**

6. Other expenditure

Period ended 31 March	2013
	£000
Impairment loss on loans and receivables	1,808
Loss on intital recognition of loans and receivables	1,193
Impairment loss on finance lease receivables	143
Impairment loss /(reversal) on available for sale financial assets	(340)
Total other expenses	**2,804**

The impairment loss of £1.7m in Table 6 relates to a £0.2m write down of trade receivables deemed to be bad or doubtful and £1.5m write down of the Barking Riverside interest bearing loan deemed to be unrecoverable.

Notes to the Financial Statements

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

Period ended 31 March 2013

	Financial Liabilities measured at amortised costs	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total
	£000	£000	£000	£000
Interest expense	10,004	-	-	10,004
Loss on initial recognition	-	1,193	-	1,193
Impairment losses/(reversals)	-	1,951	(340)	1,611
Fee expense	2	-	-	2
Total expense reported in profit or loss	**10,006**	**3,144**	**(340)**	**12,810**
Interest income	-	(1,411)	-	(1,411)
Gains on derecognition	-	-	(7,938)	(7,938)
Unwind of discount on non-interest bearing loan	-	(232)	-	(232)
Total income reported in profit or loss	**-**	**(1,643)**	**(7,938)**	**(9,581)**
Net change in fair value of available-for-sale financial assets	-	-	(2,472)	(2,472)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	-	-	7,408	7,408
(Gains)/ losses on financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**4,936**	**4,936**
Net (gain)/loss for the period	**10,006**	**1,501**	**(3,342)**	**8,165**

Notes to the Financial Statements

8. Operating leases

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

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

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

	31 March 2013
	£000
Not later than on year	858
Later than one year and not later than five years	812
Later than five years	650
	2,320

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

	2012/13
	£000
Rent receivable in year	1,091
	1,091

Notes to the Financial Statements

9. Property, plant and equipment

Movements in 2012/13

	Other Land and Buildings £000	Total Property, Plant and Equipment £000
Cost or Valuation		
At 1 April 2012	**13,520**	**13,520**
Revaluation increases/(decreases) recognised in the revaluation reserve	810	810
At 31 March 2013	**14,330**	**14,330**
Accumulated Depreciation and Impairment		
At 1 April 2012		**0**
Depreciation charge	(995)	(995)
Depreciation written out to the Revaluation Reserve	991	991
At 31 March 2013	**(4)**	**(4)**
Net Book Value		
At 1 April 2012	**13,520**	**13,520**
At 31 March 2013	**14,326**	**14,326**

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, Jones Lang Lasalle and GVA Grimley at 31 March 2013. Valuations were carried out in accordance with the Practice Statements contained in the RICS Valuation - Professional Standards (March 2012) published by the Royal Institution of Chartered Surveyors ("The Red Book"), by valuers who conform to the requirements thereof. The valuations were undertaken by currently Registered RICS Valuers.

Notes to the Financial Statements

10. Investment properties

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

	2012/13
	£000
Balance at 1 April 2012	**37,800**
Disposals	(30)
Net gains/(losses) from fair value adjustments	(2,814)
Balance at 31 March 2013	**34,956**

All valuations were carried out by independent external valuers, Jones Lang Lasalle and GVA Grimley at 31 March 2013. Valuations were carried out in accordance with the Practice Statements contained in the RICS Valuation – Professional Standards (March 2012) published by the Royal Institution of Chartered Surveyors ("the Red Book"), by valuers who conform to the requirements thereof. The valuations were undertaken by currently Registered RICS Valuers.

11. Loan Investments

Loan Investments - non-current and current

	2013
	£000
Loans to joint venture	29,872
Other loans	5,663
At 31 March	**35,535**

	£000
At 1 April 2012	**52,428**
Interest receivable	737
Repayments	(16,327)
Discount Unwinding	232
Impairments	(1,535)
At 31 March 2013	**35,535**

Notes to the Financial Statements

12. Available for sale financial assets

Available for sale financial assets are stated at fair value and relate to the Group's entitlement to future income arising from financial assistance provided to homebuyers to enable them to buy homes.

	£000
At 1 April 2012	**49,107**
Additions	11,700
Disposals	(2,094)
Fair value adjustment	(4,936)
Impairment	340
At 31 March 2013	**54,117**

Available for sale assets are all valued with reference to published house price indices (published in April following each year end); 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).

13. Finance lease receivables

Group as Lessor

Gross investment in the lease at balance sheet date is made up of the following amounts:

	£000
Finance lease debtor (net present value of minimum lease payments):	
Current	7,255
Non-current	6,814
Unearned finance income	5,594
Unguaranteed residual value of property	0
Gross investment in the lease	**19,662**

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

	£000
Not later than one year	7,444
Later than one year and not later than five years	5,127
Later than five years	7,090
	19,662

	£000
Not later than on year	7,255
Later than one year and not later than five years	4,315
Later than five years	2,499
	14,069

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 commencing 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.
- A 125 year lease with Siemens until 2136 for the exhibition centre located at the Landmark Site in London E16. The lease permits the exhibition centre to be initially used to showcase and/or promote sustainable technologies and products and/or a conference centre.

14. Trade and other receivables

	31 Mar 2013 £000
Current	
Trade receivables due from related parties	1,213
Other trade receivables	1,444
Accrued income	9,184
	11,841
Non-current	
Amounts due from third parties	12,644
	12,644

Notes to the Financial Statements

15. Taxation

Tax recognised in profit or loss	**£000**
Corporation tax at 24% on profits for the year	-
Deferred tax	3,518
Less tax losses recognised	(3,499)
	19
Effect of reduction in corporaton tax rate to 23%	(1)
Tax expense from continuing operations	**18**

Tax recognised in other comprehensive income	**£000**
Corporation tax at 24% on income for the year	-
Deferred tax	83

	Before tax £000	**Tax £000**	**After tax £000**
Revaluation of property plant and equipment	(1,889)	83	(1,806)
Net change in value of available for sale financial assets	(2,474)	-	(2,474)
Net change in value of available for sale financial assets reclassified to profit or loss	7,408	-	7,408
	3,045	**83**	**3,128**

Notes to the Financial Statements

Reconciliation of tax charge

Period ended 31 March	2013 £000
Loss before tax	**39,799**
Loss before tax multiplied by standard rate of corporation tax in the UK of 24%	**(9,552)**
Effects of:	
Historic tax basis in development properties	(16,318)
Profit on appropriations of development properties to investments	(1,532)
Disallowable items	239
Brought forward losses utilised	(152)
Indexation allowance on asset disposals	(25)
Recognition of previously unrecognised deferred tax	3,651
Unrecognised losses	23,707
Total tax charge for the year	**18**

Recognised deferred tax liabilities

	1 April 2012	Movement in year	Reduction in tax rate	31 March 2013
	£000	£000	£000	£000
Development stock	-	3,651	(152)	3,499
Trading losses	-	(3,651)	152	(3,499)
Net deferred tax on trading items	-	-	-	-
Property Plant and Equipment	1,498	152	(69)	1,581
Investment Properties	-	19	(1)	18
Total deferred tax liabilities	1,498	171	(70)	1,599

The UK Government announced its intention to reduce the rate of corporation tax to 21% for the year beginning 1 April 2014 and to 20% for the year beginning 1 April 2015. The rates were enacted in the Finance Act 2013 on 17 July 2013. At these rates the value of the deferred tax asset will decrease to the following amounts:

		£000
Deferred tax liability at	31 March 2014	1,460
	31 March 2015	1,390

Unrecognised deferred tax assets

	£000
Trading and other losses	131,303

Notes to the Financial Statements

A significant part of these deferred tax assets (£109.4m), represent trading losses inherited from the predecessor bodies under the Localism Act 2011. A sizeable part of these losses has not been agreed with HMRC and could be subject to significant change. Restrictions are likely to arise on the future use of these losses. As noted above, the Finance Act 2013 has enacted a reduction in the rate of corporation tax to 21% for the year beginning 1 April 2014 and to 20% for the year beginning 1 April 2015. At these rates the value of the unrecognised deferred tax asset will decrease to the following amounts:

	£000
31 March 2014	119,885
31 March 2015	114,176

Notes to the Financial Statements

16. Inventories

	31 Mar 2013 £000
Property/development assets:	
Land and buildings	262,229
	262,229

Balance at 1 April 2012	**309,054**
Additions in year	6,911
Included in Cost of Sales:	
Cost of property sold	(35,325)
Write down to net realisable value	(18,411)
Balance at 31 March 2013	**262,229**

Cost of inventory sold

Inventory consists of property/development assets. Disposals during the year amounted to £35.3m and this amount is offset 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 £18.4m.

Valuation

The realisable value of the Group's development properties at 31 March 2013 has been based on a valuation carried out at that date by external valuers, Jones Lang Lasalle and GVA Grimley. 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 the RICS Valuation - Professional Standards (March 2012) published by the Royal Institution of Chartered Surveyors ("The Red Book"), by valuers who conform to the requirements thereof. The valuations were undertaken by currently Registered RICS Valuers.

17. Cash and cash equivalents

	31 Mar 2013 £000
Bank current accounts	(336)
Fixed-term deposits	34,748
	34,412

Notes to the Financial Statements

18. Trade and other payables

	31 Mar 2013
	£000
Current	
Trade payables due to related parties	(31,483)
Other trade payables	(5,825)
Accrued expenses	(2,055)
Deferred income	(249)
	(39,612)

19. 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 Balance Sheet at the following net amounts:

	31 March 2013
Carrying value of assets	
	£000
Other Land and Buildings	14,321
Development Properties	2,925
	17,246

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 minimum lease payments are made up of the following amounts:

	31 March 2013
	£000
Finance lease liabilities (net present value of minimum lease payments):	
Current	1
Non-current	329
Finance costs payable in future years	921
Minimum lease payments	**1,251**

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

Notes to the Financial Statements

	31 March 2013
	£000
Not later than on year	15
Later than one year and not later than five years	46
Later than five years	1,190
	1,251

Finance Lease Liabilities

	31 March 2013
	£000
Not later than on year	1
Later than one year and not later than five years	5
Later than five years	324
	330

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

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

- The Crystal Palace National Sports Centre 125 year leases with the London Borough of Bromley that expire in approximately 120 years' time.

Held as Inventory on the Statement of Financial Position:

- The long leasehold interest in the Olympia Industrial Estate from the London Borough of Haringey which has a term of 125 years expiring in 2105.
- 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 Group adjoining property.
- 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. Financial instruments

Categories of financial instruments

The following categories of financial instruments are carried in the Statement of Financial Position:

	31 March 2013 £000
Investments-Non-current	
Loans and receivables at amortised costs	33,693
Available-for-sale financial assets	54,117
Total investments	**87,810**
Receivables Non-current	
Loans and receivables at amortised costs	12,644
Finance lease receivables	6,814
Total Receivables	**19,458**
Borrowings-Non current	
Financial liabilities at amortised costs	(300,000)
Total borrowings	**(300,000)**
Other Non current Liabilities	
Finance lease liabilities	(329)
Total other Non current liabilities	**(329)**
Payables Non-current	
Financial liabilities at amortised costs	(234)
Total Payables	**(234)**

Notes to the Financial Statements

	31 March 2013 £000
Investments Current	
Loans and receivables at amortised costs	1,842
Available-for-sale financial assets	
Total investments	**1,842**
Receivables Current	
Loans and receivables at amortised costs	11,263
Finance lease receivables	7,255
Total Debtors	**18,518**
Cash and cash equivalents	**34,748**
Borrowings	
Financial liabilities at amortised costs	(336)
Total borrowings	**(336)**
Other Current Liabilities	
Finance lease liabilities	(1)
Total other current liabilities	**(1)**
Payables Current	
Financial liabilities at amortised costs	(39,366)
Total Payables	**(39,366)**

Investment in subsidiary

The Company holds a £1 investment in its subsidiary GLA Land and Property Limited, this has been valued at cost as the shares held are not quoted in a active market and the fair value cannot be measured reliably. The Company does not intend to dispose of its shares in GLA Land and Property Limited.

Fair values of assets and liabilities

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

- Published market data for comparable instruments at 31 March 2013 are used to obtain discount rates for long term borrowings, or if higher, the amount payable to a lender on early redemption in order to prudently reflect the maximum liability.
- 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 2013 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.
- 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 as at 31 March 2013

	Carrying amount	Fair Value
	£000	£000
Borrowing Non-current	(300,000)	(344,760)

	Carrying amount	Fair Value
	£000	£000
Loan investments Non-current and current	35,535	35,535

The fair value of borrowing represents the amount payable to the lender were the debt repaid on the Balance Sheet date. This would lead to a loss since the fair value exceeds the carrying amount - a consequence of since the interest rate payable being higher than the prevailing rates at the Balance Sheet date.

The Group's investments materially consist of transferred loans made in respect of development agreements entered into by the Homes and Communities Agency in London. All interest bearing instruments either mature with 12 months of the Balance Sheet date or are subject to a revision of interest rate within this period so the carrying amount approximates the fair value. One agreement is an interest free loan which has been impaired to reflect the Group's view of collectability and discounted by an appropriate rate. In the absence of any market comparator for such an arrangement, the carrying value is assumed to approximate the fair value.

21. 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 exceptionally high credit standing (AA+ Stable) and high levels of central government support. Therefore the Group 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 funding agreements referred to in Note 20. None of the counterparties currently hold credit ratings, nor has the Group experienced default from similar instruments in the past, so it is not possible to quantify the current exposure. The agreements and the financial standing of the counterparties are routinely monitored by the ultimate parents group treasury team with a view to early management of any risks arising.

The maximum exposure to credit risk on trade receivables at 31 March 2013 is £15.3m.

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.

The maturity structure of financial liabilities is set out below.

		31 Mar 2013
	Interest rate	**£000**
Non-current		
Amounts due to ultimate parent	3.33%	(300,000)
		(300,000)

The maturity analysis of financial liabilities is as follows:

Notes to the Financial Statements

	31 Mar 2013
	£000
Less than one year	-
Between one and ten years	245,000
Between ten and twenty years	55,000
Between twenty and twenty-five years	-
	300,000

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.

£26.6m of the Group's investments attract interest on a variable rate basis. A 1% rise in interest rates would deliver an additional £0.266m in interest receivable whereas a fall would lead to a reduction in receipts of £0.152m. The amounts are not equal because the current relevant rates are below 1%.

Notes to the Financial Statements

22. Provisions

	CPO Provisions £000	Other Provisions £000	Total £000
Balance at 1 April 2012	-	(1,150)	**(1,150)**
Additional provisions made during the period	(21,528)	-	**(21,528)**
Balance at 1 April 2013	**(21,528)**	**(1,150)**	**(22,678)**

Compulsory purchase orders (CPO)

The CPO provision 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 considerable uncertainty on when the CPO cases will be settled and payments made. At present it is expected that payments will be made over the period 2014/15 to 2016/17.

Other provisions

Rainham Village Road - a provision of £0.4m is included in the closing balance and relates to an obligation in the sale contract to construct a new road for access to the site at Rainham Village. It is expected that payment will be made in 2013/14 as GLAP has entered into a conditional agreement with a third party for the construction of the road by March 2014.

Thames Wharf drainage works - a provision of £0.75m has been made for costs in relation to Thames Wharf development property. The drainage works will be undertaken in 2013/14, in phases. The costs are indicative and the Company is working with consultants to firm up the costs.

23. 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 event, nature of 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 2013 £000
Contingent Liabilities	(751)

All of the contingent assets are considered a remote likelihood of occurrence or only possible (not probable) and have therefore not been disclosed or recognised in the financial statements.

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 a council to secure contributions to services, infrastructure and amenities in order to support and facilitate a proposed development.

The Group has also inherited a number of S106 agreements, many of which have now expired or obligations have previously been met by the LDA 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 2013.

24. Contingent rent

Lease receivables from a lease with Excel Exhibition Centre have been treated as a contingent asset. As the lease has a remaining life of 187 years before it is due to expire and the annual lease receivable is based on the corresponding annual turnover of the centre the value of the lease is uncertain. The net present value of the estimated cash flows is considered to be between £7m and £20m and £0.7m was receivable in 2012/13.

Notes to the Financial Statements

25. Contractual Commitments

Contractual commitments in respect of works on properties are as follows:

Project description	£000
LSIP North Infrastructure	1,286
Greenwich Peninsula	654
Gallions Park	68
LSIP Southern Access Road	60
Newington Butts	60
Barking Riverside	52
Ditchburn Street	48
Royal Albert Docks	21
Silvertown Quays	20
Rowan Park	15
Thames Wharf	11
Catford Stadium	9
Cane Hill	9
St Clements Hospital	8
Lymington Fields	7
Courier Road Beam Reach	6
Brenley Park	5
Cane Hill Wells Cottages	5
Manor Road Retail Park	5
Greenwich District Hospital	4
Amberley Residential	3
East India Dock	3
St Andrews Hospital	1
White Hart Triangle	1
Dagenham Docks	1
	2,361

Notes to the Financial Statements

26. Cash flow

Adjustments to profit and loss for non- cash movements:

For the period ended 31 March 2013

	£000
Depreciation of property, plant and equipment	(995)
Impairment of loan investments	(1,535)
Change in fair value of investment property	(2,814)
Movement in interest receivable	737
Other non cash movements	572
(Increase)/ decrease in payables	(10,039)
Increase/(decrease) in receivables	17,685
Increase/ (decrease) in inventory	(46,825)
(Increase)/ decrease in provisions	(21,528)
Increase/(decrease) in finance lease receivables	(2,180)
Tax expense	(18)
	(66,940)

Adjustments to profit and loss for investing and financing activities:

	£000
Gain/(loss) on available for sale assets	7,939
Gain/(loss) on sale of investment property	220
	8,159

Cash Flow Statement – Investing Activities

	2012/13 **£000**
Purchase of available for sale financial assets	11,163
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(250)
Proceeds from the sale of available for sale financial assets	(10,032)
Proceeds from short-term and long-term investments	(16,327)
Net cash flows from investing activities	**(15,446)**

Notes to the Financial Statements

27. Capital and Reserves

Ordinary shares

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

Nature and purpose of reserves

Pooling of interests reserve

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

Fair value reserve

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

Revaluation reserve

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

28. Ultimate parent undertaking

The Group is a wholly owned subsidiary of Greater London Authority. The board members are appointed by the Mayor of London. Copies of the Greater London Authority's accounts are available from City Hall, More London, London, SE1 2AA.

29. Related Parties

Transactions with ultimate parent

In the period the GLA charged the Group £4.5m for staff, accommodation and other overhead costs.

On 1 April 2012, as part of the transfers of function, the GLA transferred £22.6m former LTGDC assets to the Group; at 31 March 2013 £22.6m was owed by the Group to the GLA. At that date the GLA also made a loan of £300m to the Group, in the period the Group paid £9.9m interest to the GLA (see note 21 for further details).

Transactions with joint venture

Barking Riverside Limited

Barking Riverside Limited is a joint venture between the Bellway Homes plc and GLA Land and Property Limited. The company was set up to lead the delivery of the Barking Riverside neighbourhood. The site is being remediated and site wide infrastructure developed to allow the release of plots for residential and commercial development.

GLA Land and Property Limited holds 49% of the share capital and 50% of the voting rights.

GLA Land and Property Limited acquired, from the Homes and Communities Agency, loan investments provided to Barking Riverside Limited (see note 11) and has provided a statement of intent letter to Barking Riverside Limited that it does not intend to exercise its right to on-demand repayment of the loan balance outstanding for one year from the date of the letter, and that GLA Land and Property Limited will continue to provide financial and other support to Barking Riverside Limited for the next twelve months to enable it to continue to trade.

- Other than the capitalisation of £0.5m interest receivable on the loan investment, there were no transactions between the Company and Barking Riverside Limited in the period ended 31 March 2013

Other related parties

Barking Riverside Community Development C.I.C

Barking Riverside Community Development C.I.C's activities are to provide benefit to those living and /or working at the Barking Riverside development through the provision of housing and community facilities and services. The company is also responsible for the long term stewardship of the development following the first occupation. The directors of the Barking Riverside Community Development C.I.C's are also members of the company and each member has provided a £1 guarantee in the event of the company being wound up.

There are four directors, two of which are can be appointed by GLA Land and Property Limited. At 31 March 2013, one GLA staff member had been appointed as a director.

- There were no transactions between the Company and Barking Riverside Community Development C.I.C in the period ended 31 March 2013.

GMV Management Limited

GMV Management Limited's sole purpose is to provide management services to Greenwich Millennium Village. The company appoints one out of eleven directors.

- There were no transactions between the Company and GMV Management Limited in the period ended 31 March 2013.

Greenwich Peninsula Estate Management Limited

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

- There were no transactions between the Company and Greenwich Peninsula Estate Management Limited in the period ended 31 March 2013.

30. Events occurring after the reporting date

On 29 May 2013 a Master Development Agreement (MDA) was completed with ABP (London) Investment Ltd for the sale of 14 hectares of land at Royal Albert Dock to transform it into a new business district aimed initially at Chinese and Asian businesses. This was followed a few days later 2013 by a MDA completed with The Silvertown Partnership for the sale of 20 hectares of land to transform Silvertown Quays in the Royal Docks into a new innovation quarter and destination for global brands. These two major developments, which are both situated in the Royal Docks Enterprise Zone, have an estimated gross development value of £2.5 billion and are expected to create £12.5 billion of economic benefit for the UK economy over the next 25 years. Subject to gaining planning permission, the first phases of both developments are expected to open in 2017.