

GLA Land and Property Limited
Annual Report and Financial Statements

1 April 2016 to 31 March 2017

AUDITED

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

Registered in England and Wales
07911046

Contents

| | Page |
|--|------|
| Directors' Report | 3 |
| Strategic Report | 6 |
| Statement of Directors' Responsibilities | 7 |
| Independent Auditor's Report | 9 |
| Statement of Comprehensive Income | 10 |
| Statement of Financial Position | 11 |
| Statement of Changes in Equity | 12 |
| Statement of Cash Flows | 14 |
| Notes to the Financial Statements | 15 |

Directors' Report

Introduction

The directors present their report on the affairs of GLA Land and Property Limited (the "Company"), (registration number 07911046), together with the unaudited financial statements for the accounting period of 1 April 2016 to 31 March 2017 ("accounting period").

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

Principal activities

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

Share capital

The Company had one share in issue at 1 April 2016 and 31 March 2017.

Articles of Association

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

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

Directors

The directors who served during the accounting period were:

Mr Martin Clarke
Mr David Lunts
Mr David Bellamy
Mr James Murray
Sir Edward Udny-Lister (resigned 9 May 2016)

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

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

Directors' indemnities

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

Directors' Report

Shareholders

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

Sustainability

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

Essential contracts

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

Payment of creditors

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

Risk management

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

Employees

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

Charitable and political donations

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

Trading results and dividends

The Company's profit after taxation was £22.7 million. It is not proposed to declare a dividend for the period 1 April 2016 to 31 March 2017.

Independent auditors and disclosure of information to the auditors

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

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

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

Directors' Report

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

Martin Clarke
Director

14 September 2017

Strategic Report

The Company inherited 635 hectares of land in April 2012 with a value at the time of £365m. All of the developable land in the portfolio has now either been developed, is in the course of development, is contractually committed or is currently being marketed for development, all with the aim to encourage investment, create jobs and help meet London's housing needs.

The most significant single development that the Company owns is Greenwich Peninsula which, in recognition of the level of national investment in the site, is subject to a receipt-sharing agreement with the Department for Communities & Local Government and the BIG lottery Fund. The Company has a development agreement with Knight Dragon Development Ltd (a Chinese-owned company). In total 15,720 homes and circa 12,000 jobs will be created.

Master Development Agreements are in place for two major sites in the Royal Docks – Silvertown Quays and Royal Albert Dock.

Silvertown Quays - Agreement was reached with The Silvertown Partnership (TSP) to develop this important site with a scheme centred on 'brand pavilions' which would include the development of Millennium Mills and the construction of a pedestrian bridge across the dock, landing beside the ExCel Centre. TSP secured outline planning consent on 19 August 2016 for a circa 7.2m sq. ft. development. TSP are currently in discussions with a funder to bring forward the first phase of development. The initial refurbishment of Millennium Mills using £12m DCLG grant was completed in 2016.

Royal Albert Dock - The Company is in contract with development partner ABP (London) Investment Ltd – a subsidiary of Dauphin Holdings Group Ltd, a major Chinese developer – to develop this site primarily for business use and some ancillary residential accommodation, with a focus on Far Eastern businesses who wish to trade with the UK and Europe. Planning consent was granted in December 2015 for a circa 4.7m sq. ft. The headlease for the first phase was granted to ABP on 17 March 2016.

During 2016/17 a planning application was submitted for Pontoon Dock to provide 236 homes – 154 build to rent and 82 affordable.

During the period, a profit of £2m was achieved on property disposals; this was boosted by significant overage income and increases in the fair value of investment properties, resulting in a profit after tax of £22.7m.

In October 2016, the Company acquired the Crystal building in LB Newham and agreed a leaseback with Siemens, which provides a significant rental income stream.

In 2017/18 the Company intends to conclude the procurement of delivery partners for Albert Island (10 hectares of employment land in the Royal Docks), Gallions 3B (a residential site in the Royal Docks) and the Webbs industrial site in Waltham Forest.

The Company plans to continue to develop its land and property with the primary aims of creating jobs and housing in London. The principal risks and uncertainties facing the Company relate to the state of the economy in general, and London in particular, and continuing challenges in the housing market in London.

Martin Clarke
Director

14 September 2017

Statement of Directors' Responsibilities

In respect of the Directors' Report and the Financial Statements

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

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

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

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

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

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

We have audited the financial statements of GLA Land and Property Limited for the year ended 31 March 2017 which comprise the:

- Statement of Comprehensive Income,
- Statement of Financial Position,
- Statements of Changes in Equity,
- Statement of Cash Flows, and
- 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.

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 Statement of Directors' Responsibilities set out on page 7, 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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 company's affairs as at 31 March 2017 and of its profit for the year then ended;

- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the accounting records and returns; or
- ▶ certain disclosures of directors' remuneration specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit.

*Karl Havers (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
15 September 2017*

1. The maintenance and integrity of the Greater London Authority web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Comprehensive Income

| | 2016/17 | | 2015/16 | | |
|--|---------|-----------------|----------|-----------------|-----------|
| | Notes | £000 | £000 | £000 | £000 |
| Continuing operations | | | | | |
| Income from property disposals | | (27,309) | | (113,409) | |
| less Greenwich Peninsula disposal proceeds shared with third parties | 4 | 7,424 | | 18,923 | |
| Rental and other property income | | (8,683) | (28,568) | (7,064) | (101,550) |
| Cost of sales | 5,17 | 17,709 | | 43,618 | |
| Estate management costs | 5 | 8,448 | 26,157 | 10,757 | 54,375 |
| Gross (profit) / loss | | (2,411) | | (47,175) | |
| Compulsory purchase order costs | 5 | (1,938) | | (379) | |
| Professional fees and other costs | 5 | 2,649 | | 2,659 | |
| Administrative expenses | 5 | 6,233 | | 6,144 | |
| Contributions payable | | 50 | | 500 | |
| Other expenses | 6,8 | 385 | | (671) | |
| (Profit) /loss from operations | | 4,968 | | (38,922) | |
| Net (increase)/decrease in fair value of investment property | | (15,751) | | (3,007) | |
| Other income | 7,8 | (18,955) | | (13,997) | |
| Finance income | 8 | (5,830) | | (5,540) | |
| Finance costs | 8 | 10,418 | | 9,998 | |
| (Profit)/loss before tax | | (25,150) | | (51,468) | |
| Tax | 16 | 2,459 | | 1,614 | |
| (Profit)/loss for the period | | (22,691) | | (49,854) | |
| Other comprehensive (income)/expense: | | | | | |
| Items that will never be reclassified to profit and loss | | | | | |
| Revaluation of property, plant and equipment | | (3,229) | | (2,032) | |
| Deferred tax on revalued property, plant and equipment | 16 | (253) | | (6) | |
| Items that are or may be reclassified to profit and loss | | | | | |
| Net change in fair value of available-for-sale financial assets | 13 | (5,011) | | (4,866) | |
| Deferred tax on revalued available for sale assets | 16 | - | | (223) | |
| Net change in fair value of available-for-sale financial assets reclassified to profit or loss | 13 | 3,507 | | 4,640 | |
| Other comprehensive (income)/expense, net of tax | | (4,986) | | (2,487) | |
| Total comprehensive (income)/expense recognised for the period | | (27,677) | | (52,341) | |

Statement of Financial Position

| | Note | 31 March 2017 £000 | 31 March 2016 £000 |
|---|-------|--------------------------|--------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 21,570 | 20,440 |
| Investment property | 11 | 68,042 | 52,896 |
| Loan investments - Non Current | 12 | 62,720 | 37,958 |
| Available for sale financial assets | 13 | 50,332 | 52,900 |
| Finance lease receivables -Non Current | 14 | 132,786 | 127,706 |
| Trade and other receivables - Non Current | 15 | 180 | 180 |
| Total Non-current assets | | 335,630 | 292,080 |
| Current assets | | | |
| Inventories | 17 | 219,207 | 192,147 |
| Loan investments - Current | | 60 | - |
| Finance lease receivables - Current | 14 | 14,850 | 4,136 |
| Trade and other receivables - Current | 15 | 21,058 | 31,540 |
| Cash and cash equivalents | 18 | 9,345 | 65,063 |
| Total current assets | | 264,520 | 292,886 |
| Total assets | | 600,150 | 584,966 |
| Current liabilities | | | |
| Borrowings and overdrafts - Current | 21,22 | (63,371) | (20,000) |
| Trade and other payables - Current | 19 | (16,627) | (34,552) |
| Finance lease liabilities - Current | 20 | (1) | (1) |
| Provisions - Current | 23 | (1,142) | (6,107) |
| Total current liabilities | | (81,141) | (60,660) |
| Non-current liabilities | | | |
| Borrowings - Non Current | 21,22 | (265,000) | (300,000) |
| Trade and other payables - Non Current | 19 | (12,116) | (12,416) |
| Finance lease liabilities - Non Current | 20 | (39) | (40) |
| Provisions - Non Current | 23 | (940) | - |
| Deferred tax liability | 16 | (7,606) | (6,219) |
| Total non-current liabilities | | (285,701) | (318,675) |
| Total liabilities | | (366,842) | (379,335) |
| Net assets | | 233,308 | 205,631 |
| Equity | | | |
| Revaluation reserve | 27 | (22,706) | (19,224) |
| Fair value reserve | 27 | (29,848) | (28,344) |
| Pooling of interests reserve | 27 | (120,745) | (120,745) |
| Retained earnings | | (60,009) | (37,318) |
| Total equity | | (233,308) | (205,631) |

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

The financial statements were approved by the Board and authorised for issue on 12 June 2017. The financial statements also comprise the notes on pages 15 to 51.

Martin Clarke
Director

Statement of Changes in Equity

as at 31 March 2017

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

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

Statement of Changes in Equity

as at 31 March 2016

| | Note | Share capital £000 | Pooling of interests reserve £000 | Fair Value reserve £000 | Revaluation Reserve £000 | Retained earnings £000 | Total equity £000 |
|---|------|--------------------------|--|-------------------------------|--------------------------------|------------------------------|----------------------|
| At 1 April 2015 | | - | (120,745) | (27,895) | (17,186) | 12,536 | (153,290) |
| (Profit)/loss for the year | | - | - | - | - | (49,854) | (49,854) |
| Revaluation of property, plant and equipment | 10 | - | - | - | (2,032) | - | (2,032) |
| Net change in the fair value adjustments on available-for-sale financial assets less amounts reclassified to profit or loss | 13 | - | - | (226) | - | - | (226) |
| Tax on items above | 16 | - | - | (223) | (6) | - | (229) |
| Total comprehensive (income)/expense recognised in year | | - | - | (449) | (2,038) | (49,854) | (52,341) |
| Issue of shares | | - | - | - | - | - | - |
| At 31 March 2016 | | - | (120,745) | (28,344) | (19,224) | (37,318) | (205,631) |

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

Statement of Cash Flows

| For the period ended 31 March | Notes | 2017 £000 | 2016 £000 |
|--|-------|----------------|-----------------|
| (Profit)/loss for the year | | (22,691) | (49,854) |
| Adjustments to profit or loss for non-cash movements | 26 | 66,989 | 19,082 |
| Adjustments for items included in the profit or loss that are investing and financing activities | 26 | 4,019 | 10,827 |
| Net cash flows from Operating Activities | | 48,317 | (19,945) |
| Investing Activities | 26 | 15,345 | (19,285) |
| Financing Activities | | (7,944) | - |
| Net (increase) or decrease in cash and cash equivalents | | 55,718 | (39,230) |
| Cash and cash equivalents at the beginning of the reporting period | | (65,063) | (25,833) |
| Cash and cash equivalents at the end of the reporting period | 18 | (9,345) | (65,063) |

Notes to the Financial Statements

1. Reporting entity

GLA Land and Property Limited (the “Company”) is a company domiciled in the United Kingdom. The Company’s registration number is 07911046 and its registered office is Windsor House, 42-50 Victoria Street, London, SW1H 0TL.

2. Changes in accounting policies and prior period adjustments

The Company has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements. The Company has not adopted any new standards and amendments to standards with a date of initial application in the Company’s financial statements of 1 April 2016.

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

3. Statement of accounting policies

This section explains the Company’s main accounting policies.

a) Basis of preparation

Statement of compliance

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

The unaudited financial statements were authorised for issue by the Board of Directors on 12 June 2017.

Basis of measurement

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

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

Associates and joint ventures

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

b) New standards and interpretations

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

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

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

Notes to the Financial Statements

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

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

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

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

c) Uses of estimates and judgements

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

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

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

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

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

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

Notes to the Financial Statements

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

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

Where the estimated net realisable value is less than its carrying value within the Statement of Financial Position, the Company impairs the carrying value. In the period to 31 March 2017, this review resulted in a £6.9m impairment charge (2015/16 - £0.98m) offset by a reversal of £1.7m of previous impairments (2015/16 £1.8m) See note 17 for further details.

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

The assessment of rental values is formed purely for the purposes of assisting in the formation of an opinion of capital value and is generally on the basis of Market Rent, as defined in the RICS Valuation – Professional Standards January 2014 (“the Red Book” (9th 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, the fair value of vacant buildings may also be valued and analysed on a comparison method with other capital value transactions where applicable.

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

Equity Mortgages are valued with reference to published house price indices (January 2017 data used as March 2017 was unavailable when the financial statements were being prepared). For equity interests in housing units, the fair value at the Statement of Financial Position date is calculated using movements in the 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.

Notes to the Financial Statements

At 31 March 2017, the asset recognised on the Statement of Financial Position was £50.3m (£52.9m at 31 March 2016). See note 13 for further details.

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

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

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

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

Classification of investment properties - IAS 40 *Investment properties* ("IAS 40") requires that properties are classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals. To comply with IAS 40, judgement needs to be exercised in determining whether these properties should be classified as investment properties in accordance with IAS 40. As investment properties are valued at fair value, with movements in the fair value being recorded in the Statement of Comprehensive Income, this could have a significant effect on the financial performance of the Company. In 2016/17 there was an increase of £15.8m (£3.0m increase in 2015/16) in the fair value of investment properties. See note 11 for further details.

d) Going concern

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

The performance of the Company has strengthened in year with the Company achieving a profit for the period of £22.7m (£49.9m profit for period ended 31 March 2016); this performance has strengthened the balance sheet with net assets currently totalling £233m (£206m at 31 March 2016). Further to this, the Company's liquidity position is assured as the Greater London Authority has provided written assurances to the Company's directors that, so long as the Company is a subsidiary of the GLA, the GLA will continue to make sufficient monies available to the Company to enable it to meet all its debts as they fall due.

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

Notes to the Financial Statements

directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

e) Revenue

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

Revenue is recognised as follows:

Development properties and land sales

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

Rental income

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

Grants and contributions

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

f) Leases

Leases (the Company as lessee)

Leased assets

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

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

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.

Notes to the Financial Statements

Determining whether an arrangement contains a lease

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

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

Leases (the Company as lessor)

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

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

g) Financing income and expenses

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

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

h) Taxation

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

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

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

Notes to the Financial Statements

- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

i) Property, plant and equipment

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

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

Measurement

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

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

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and

Notes to the Financial Statements

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down and charged to the Statement of Comprehensive Income .

Impairment

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

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

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

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

Depreciation

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

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

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

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

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

Revaluation gains are also depreciated.

Notes to the Financial Statements

Component Accounting

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

Disposals

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

j) Investment property

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

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

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

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

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

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

k) Inventories

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

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

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised as inventory when the significant risks and rewards of ownership have been transferred to the Company. Contributions of services that enhance inventory are measured by referring to the fair value of the services received.

Notes to the Financial Statements

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

l) Provisions

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

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

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

m) Contingent liabilities and assets

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

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

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

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

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

n) Reserves

Retained earnings represent the accumulated surplus or deficit to date.

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

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

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

o) Financial instruments

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

Notes to the Financial Statements

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

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

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

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

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

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

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

Loans and receivables

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

Loans

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

Trade and other receivables

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

Available for sale financial assets

Equity Mortgages

Equity mortgages were transferred from the Homes and Communities Agency ("HCA") to the Company on 1 April 2012. They represent the financial assistance provided to home buyers to buy a share in a new build home. The buyer took out a mortgage, which along with any deposit, was a minimum of 50% of the full purchase price of the property. In return the HCA provided up to 50% of the full property price. The assistance was paid to the participating housebuilder, not the buyer. As part of the sales agreement, the Company has an entitlement to a share of the future sales proceeds

Notes to the Financial Statements

which will be equal to the initial percentage contribution. This is secured by a second charge on the property and is classified as an available for sale financial instrument and is stated at fair value.

Equity Mortgages are valued with reference to published house price indices (January 2017 indices). For equity interests in housing units, the fair value at 31 March 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.

Equity Investments

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

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

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

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

Cash and cash equivalents

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

Financial liabilities measured at amortised cost

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

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

Trade and other payables

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.

Notes to the Financial Statements

Impairment of financial assets

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

4. Sharing of Disposal Proceeds

The Department for Communities and Local Government ("DCLG") and the BIG Lottery Fund are entitled to receive shares of the proceeds of certain land disposals on the Greenwich Peninsula after the deduction of agreed costs. In 2016/17, £1.7m was payable to the Big Lottery Fund (£3.7m in 2015/16) and £5.7m was payable to the DCLG (£15.2m in 2015/16).

5. Expenditure by type

| Period ended 31 March | 2017 | 2016 |
|--|---------------|---------------|
| The operating profit or loss is stated after charging: | £000 | £000 |
| Cost of inventory sold | 12,496 | 44,447 |
| Net write down/(reversal) of inventory to net realisable value | 5,213 | (829) |
| Compulsory purchase order provision release | (1,938) | (379) |
| Estate management costs | 8,448 | 10,757 |
| Administrative costs recharge from the GLA | 3,700 | 3,881 |
| Depreciation expense | 2,232 | 1,958 |
| Auditor's fees for the audit of these financial statements | 112 | 112 |
| Other administrative expenses | 2,838 | 2,852 |
| Total cost of sales and other costs | 33,101 | 62,799 |

6. Other expenses

| Period ended 31 March | 2017 | 2016 |
|--|-------------|--------------|
| | £000 | £000 |
| Impairment/(write back) loss on loans and receivables | 637 | (398) |
| Impairment loss /(reversal) on available for sale financial assets | (252) | (273) |
| Total other expenses | 385 | (671) |

Notes to the Financial Statements

7. Other income

| | | |
|---|-----------------|-----------------|
| Period ended 31 March | 2017 | 2016 |
| | £000 | £000 |
| Net (gain)/loss on sale of investment property | 295 | (5,471) |
| Net (gain)/loss on disposal of available-for-sale financial assets reclassified from equity | (4,315) | (5,356) |
| Overage | (6,267) | (2,465) |
| Other income | (8,668) | (705) |
| Total other income | (18,955) | (13,997) |

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

2016/17

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

Notes to the Financial Statements

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

2015/16

| | Financial Liabilities measured at amortised costs | Financial Assets: Loans and receivables | Financial Assets: Available for sale | Total |
|--|---|--|---|-----------------|
| | £000 | £000 | £000 | £000 |
| Interest expense | 9,992 | - | - | 9,992 |
| Finance lease interest | 6 | - | - | 6 |
| Impairment losses/(reversals) | - | (398) | (273) | (671) |
| Total expense reported in profit or loss | 9,998 | (398) | (273) | 9,327 |
| Interest income | - | (1,024) | - | (1,024) |
| Finance lease interest | - | (4,269) | - | (4,269) |
| Gains on derecognition | - | - | (5,356) | (5,356) |
| Unwind of discount on non-interest bearing loan | - | (247) | - | (247) |
| Total income reported in profit or loss | - | (5,540) | (5,356) | (10,896) |
| Net change in fair value of available-for-sale financial assets | - | - | (4,866) | (4,866) |
| Net change in fair value of available-for-sale financial assets reclassified to profit or loss | - | - | 4,640 | 4,640 |
| (Gains)/ losses on financial assets in Other Comprehensive Income and Expenditure | - | - | (226) | (226) |
| Net (gain)/loss for the period | 9,998 | (5,938) | (5,855) | (1,795) |

Notes to the Financial Statements

9. Operating leases

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

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

Company as lessor

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

| | 31 March 2017 £000 | 31 March 2016 £000 |
|---|-----------------------------------|-----------------------------------|
| Not later than one year | 2,634 | 807 |
| Later than one year and not later than five years | 9,450 | 2,507 |
| Later than five years | 4,584 | 2,495 |
| | 16,668 | 5,809 |

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

| | 2016/17 £000 | 2015/16 £000 |
|-------------------------|-------------------------|-------------------------|
| Rent receivable in year | 2,138 | 1,251 |

Notes to the Financial Statements

10. Property, plant and equipment

| Movements in | 2016/17 Other Land and Buildings £000 | 2015/16 Other Land and Buildings £000 |
|---|---|---|
| Cost or Valuation | | |
| At 1 April | 20,440 | 20,249 |
| Additions | 133 | 131 |
| Revaluation increases/(decreases) recognised in the revaluation reserve | 1,078 | 60 |
| At 31 March | 21,651 | 20,440 |
| Accumulated Depreciation and Impairment | | |
| At 1 April | - | (14) |
| Depreciation charge | (2,232) | (1,958) |
| Depreciation written out to the Revaluation Reserve | 2,151 | 1,972 |
| At 31 March | (81) | - |
| Net Book Value | | |
| At 1 April | 20,440 | 20,235 |
| At 31 March | 21,570 | 20,440 |

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

Valuations

The valuations were carried out by external valuers, GL Hearn at 31 March 2017. Valuations were carried out in accordance with the Practice Statements contained in the RICS Valuation – Professional Standards January 2014 published by the Royal Institution of Chartered Surveyors (“the Red Book” (9th edition)) and IFRS 13, by valuers who conform to the requirements thereof. The valuations were undertaken by currently Registered RICS Valuers.

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

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

Notes to the Financial Statements

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

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

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

Crystal Palace is held at fair value and at 31 March 2017 had a carrying value of £21.6m, for information, if the Company held this asset at cost, the carrying value would have been £8.5m.

Fair value gains or losses

In the year ended 31 March 2017 the Company recognised £3.2m of revaluation gains in the Other Comprehensive Income (£2.0m gain in 2015/16).

11. Investment properties

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

| | 2016/17 | 2015/16 |
|--|---------------|---------------|
| | £000 | £000 |
| Balance at 1 April | 52,896 | 53,664 |
| Disposals | (595) | (3,775) |
| <i>Gains and losses included in profit or loss for the year:</i> | | |
| Increase/(decrease) in fair value of investment properties | 15,751 | 3,007 |
| Transfers: | | |
| To/from Inventories | (10) | |
| Balance at 31 March | 68,042 | 52,896 |

Direct operating expenses (including repairs and maintenance) incurred in relation to Investment Properties totalled £2.5m in year (£2.3m in 2015/16).

All valuations were carried out by independent external valuers, GL Hearn at 31 March 2017. Valuations were carried out in accordance with the Practice Statements contained in the RICS Valuation – Professional Standards January 2014 published by the Royal Institution of Chartered Surveyors (“the Red Book” (9th edition)) and in accordance with IFRS 13, by valuers who conform to the requirements thereof. The valuations were undertaken by currently Registered RICS Valuers.

Fair value hierarchy

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

Notes to the Financial Statements

comparable sites/properties adjusted as required. These measurements are classified as Level 3 in the fair value hierarchy.

| Recurring fair value measurements using: | Quoted prices | Other | Significant | Fair Value |
|--|---------------|-------------|---------------|---------------|
| | in active | significant | unobservable | as at 31 |
| | markets for | observable | inputs | March 2017 |
| | identical | inputs | | |
| | assets | | | |
| | Level 1 | Level 2 | Level 3 | |
| | £000 | £000 | £000 | £000 |
| Commercial units | - | - | 67,652 | 67,652 |
| Residential properties | - | - | 390 | 390 |
| Balance at 31 March | - | - | 68,042 | 68,042 |

Transfers between levels of the fair value hierarchy

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

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

2016/17

| Input | Range | Weighted Average | Sensitivity |
|--|------------|------------------|---|
| Rental income less irrecoverable costs | n/a | £465,949 | Significant changes in rent growth; vacancy levels or capitalisation rate will result in a significantly lower or higher fair value |
| Capitalisation rate | 6.0% - 14% | 5.84% | |

2015/16

| Input | Range | Weighted Average | Sensitivity |
|--|------------|------------------|---|
| Rental income less irrecoverable costs | n/a | £179,289 | Significant changes in rent growth; vacancy levels or capitalisation rate will result in a significantly lower or higher fair value |
| Capitalisation rate | 6.0% - 14% | 9.47% | |

Notes to the Financial Statements

12. Loan Investments

| | 31 March 2017 £000 | 31 March 2016 £000 |
|------------------------|--------------------------|--------------------------|
| Loans to joint venture | 33,003 | 32,220 |
| Infrastructure loans | 29,717 | 5,738 |
| At 31 March | 62,720 | 37,958 |
| | 2017 £000 | 2016 £000 |
| At 1 April | 37,958 | 36,728 |
| Loans issued in year | 28,266 | 100 |
| Interest receivable | 668 | 883 |
| Repayments | (4,425) | - |
| Discount Unwinding | 253 | 247 |
| At 31 March | 62,720 | 37,958 |

13. Available for sale financial assets

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

| | 31 March 2017 £000 | 31 March 2016 £000 |
|---|--------------------------|--------------------------|
| At 1 April | 52,900 | 58,670 |
| Disposals at cost less impairments | (4,324) | (6,269) |
| Fair value adjustment on disposals and revaluations | 1,504 | 226 |
| Impairment reversals on assets held | 252 | 273 |
| At 31 March | 50,332 | 52,900 |

Fair value hierarchy

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

Transfers between levels of the fair value hierarchy

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

The net change in fair value of available-for-sale financial assets reclassified to profit or loss totalled £3.5m for the period (£4.6m 2015/16); Other Comprehensive Income includes £5.0m of unrealised gains or losses (£4.9m gain in 2015/16).

Notes to the Financial Statements

14. Finance lease receivables

Company as lessor

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

| | 31 March 2017 £000 | 31 March 2016 £000 |
|---|-----------------------------------|-----------------------------------|
| Finance lease debtor (net present value of minimum lease payments): | | |
| Current | 14,850 | 4,136 |
| Non-current | 132,786 | 127,706 |
| Unearned finance income | 12,032 | 18,559 |
| Gross investment in the lease | 159,668 | 150,401 |

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

| | 31 March 2017 £000 | 31 March 2016 £000 |
|---|-----------------------------------|-----------------------------------|
| Not later than one year | 14,994 | 4,311 |
| Later than one year and not later than five years | 141,173 | 139,552 |
| Later than five years | 3,501 | 6,538 |
| | 159,668 | 150,401 |

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

| | 31 March 2017 £000 | 31 March 2016 £000 |
|---|-----------------------------------|-----------------------------------|
| Not later than one year | 14,850 | 4,136 |
| Later than one year and not later than five years | 131,154 | 125,399 |
| Later than five years | 1,632 | 2,307 |
| | 147,636 | 131,842 |

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

- The London International Exhibition Centre has been granted a 200 year lease ending in 2199 for the ExCel Exhibition Centre land;
- A 95-year lease ending in 2075 with Workspace II Limited for a warehouse, office and secure yard at Quicksilver Place, Wood Green;
- A 99-year lease until 2082 with The Drum Group Limited for a plot of land at Charles Street, London E16;
- A 101-year lease ending in 2110 with London City Airport to allow the installation of airport landing lights at Albert Island, London E16; and
- Deferred receipts in relation to various development properties leased on long leases.

Notes to the Financial Statements

Contingent rent

Lease receivables from a lease with ExCel Exhibition Centre site have been treated as a contingent asset. The Excel lease expires in 2199 and the annual lease receivable is based on the corresponding annual turnover of the centre, the value of the lease is therefore uncertain. The net present value of the estimated cash flows is considered to be between £10m and £18m and £0.9m was receivable in 2016/17.

15. Trade and other receivables

| | 31 March 2017 £000 | 31 March 2016 £000 |
|--------------------------------|--------------------------|--------------------------|
| Current | | |
| Other trade receivables | 15,990 | 26,212 |
| Accrued income | 5,039 | 5,313 |
| Prepayments | 29 | 15 |
| | 21,058 | 31,540 |
| Non-current | | |
| Amounts due from third parties | 180 | 180 |
| | 180 | 180 |

16. Taxation

Tax recognised in profit and loss

| For the period ended 31 March | 2017 £000 | 2016 £000 |
|---|--------------|--------------|
| Corporation tax rate on profits for the year | 20% | 20% |
| Corporation tax on profits for the year | 787 | 1,738 |
| Prior year adjustment | 32 | (395) |
| Current tax charge | 819 | 1,343 |
| Deferred tax | 2321 | 102 |
| Effect of tax losses | 264 | 169 |
| | 3,404 | 1,614 |
| Effect of reductions in corporation tax rate | (945) | |
| Tax expense from continuing operations | 2,459 | 1,614 |

Tax recognised in other comprehensive income

| For the period ended 31 March | 2017 £000 | 2016 £000 |
|-------------------------------|--------------|--------------|
| Deferred tax | (253) | (229) |

Notes to the Financial Statements

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

| For the period ended 31 March | 2016 | | |
|---|--------------------|--------------|-------------------|
| | Before tax £000 | Tax £000 | After tax £000 |
| Revaluation of property plant and equipment | (2,032) | (6) | (2,038) |
| Net change in value of available for sale financial assets | (4,866) | (223) | (5,089) |
| Net change in value of available for sale financial assets reclassified to profit or loss | 4,640 | - | 4,640 |
| | (2,258) | (229) | (2,487) |

Reconciliation of tax charge

| For the period ended 31 March | 2017 £000 | 2016 £000 |
|--|---------------|---------------|
| Profit/(Loss) before tax | 25,150 | 51,468 |
| Profit before tax multiplied by standard rate of corporation tax in the UK of 20% | 5,030 | 10,293 |
| Effects of: | | |
| Historic tax basis in development properties | 439 | - |
| Prior year adjustments | 32 | (395) |
| Disallowable items | 467 | 263 |
| Brought forward losses utilised | (2,230) | (8,319) |
| Indexation allowance and other differences on capital gains | (1,454) | (274) |
| Other differences | 175 | 46 |
| Total tax charge for the year | 2,459 | 1,614 |

Notes to the Financial Statements

Recognised deferred tax liabilities

| | 1 April 2016 | Movement in year | Reduction in tax rate | 31 March 2017 |
|--|---------------------|-------------------------|------------------------------|----------------------|
| | £000 | £000 | £000 | £000 |
| Development stock | 3,739 | (264) | (521) | 2,954 |
| Trading losses | (3,739) | 264 | 521 | (2,954) |
| Accelerated capital allowances | 3 | 7 | (2) | 8 |
| Net deferred tax on trading items | 3 | 7 | (2) | 8 |
| Property, plant and equipment | 2,495 | 143 | (396) | 2,242 |
| Investment properties | 3,721 | 2,579 | (944) | 5,356 |
| Total deferred tax liabilities | 6,219 | 2,729 | (1,342) | 7,606 |

It has been enacted that the standard rate of corporation tax will reduce to 19% from the 1 April 2017 and 17% from the 1 April 2020. Deferred tax has been provided at 17% as this is the rate at which the liabilities/assets are expected to reverse.

Unrecognised deferred tax asset

| | 2017 | 2016 |
|--------------------------|-------------|-------------|
| | £000 | £000 |
| Trading and other losses | 166,874 | 194,306 |

Deferred tax has been computed at 17% (20% year to March 2016) to arrive at the deferred tax assets. This is the rate that the assets would mostly be utilised. Most of these deferred tax assets represent trading losses carried forward. A significant part of these trading losses (£71.6m), were inherited from predecessor bodies under the Localism Act 2011. The availability of 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. In particular, the government has announced that it intends to restrict the amount of profits that can be offset by losses carried forward to 50% of the amount of profits in excess of £5 million. This measure was to take effect from 1 April 2017 but the legislation has been postponed following the recent general election. This measure is likely to affect significantly the amount of corporation tax the company pays in future.

Notes to the Financial Statements

17. Inventories

| | 31 March 2017 £000 | 31 March 2016 £000 |
|------------------------------------|--------------------------|--------------------------|
| Property/development assets: | | |
| Land and buildings | 219,207 | 192,147 |
| | 219,207 | 192,147 |
| Balance at 1 April | 192,147 | 221,549 |
| Additions in year | 44,769 | 14,216 |
| Included in Cost of Sales: | | |
| Cost of property sold | (12,496) | (44,447) |
| Write down to net realisable value | (6,897) | (982) |
| Reversal of write downs | 1,684 | 1,811 |
| Balance at 31 March | 219,207 | 192,147 |

Cost of inventory sold

Inventory consists of property/development assets. Disposals during the year amounted to £12.5m (2015/16 - £44.4m) and this amount is offset, in the Statement of Comprehensive Income, against disposal proceeds received.

Write down to net realisable value

Where the market value of a property/development asset is lower than costs incurred on that asset, the reduction is written off to profit or loss within Cost of Sales. Write downs during the period amounted to £6.9m (2015/16 - £0.98m), these were largely due to the write off of professional fees and taxes on properties purchased in year, along with a reduction in value of four sites as a result of a new development agreement which has deferred receipts further into the future than had previously been assumed.

Reversal of write downs

The write-back of £1.7m reflects an increase in value of a site due to recent higher comparative sales and the reversal of prior year retentions on the LSIP properties.

Valuation

The realisable value of the Company's development properties at 31 March 2017 has been based on a valuation carried out at that date by external valuers, GL Hearn. An estimate of selling costs has been deducted from the valuation to determine the net realisable value.

Valuations were carried out in accordance with the Practice Statements contained in RICS Valuation – Professional Standards January 2014 published by the Royal Institution of Chartered Surveyors (“the Red Book” (9th edition)), by valuers who conform to the requirements thereof. The valuations were undertaken by currently Registered RICS Valuers.

Notes to the Financial Statements

18. Cash and cash equivalents

| | 31 March 2017 £000 | 31 March 2016 £000 |
|-----------------------|--------------------------|--------------------------|
| Bank current accounts | 9,345 | 9,683 |
| Other deposits | - | 55,380 |
| | 9,345 | 65,063 |

19. Trade and other payables

| | 31 March 2017 £000 | 31 March 2016 £000 |
|---------------------------------------|--------------------------|--------------------------|
| Current | | |
| Trade payables due to related parties | (2,432) | (5,399) |
| Other trade payables | (2,987) | (4,086) |
| Accrued expenses | (10,360) | (23,651) |
| Corporation tax payable | - | (1,104) |
| Deferred income | (848) | (312) |
| | (16,627) | (34,552) |
| Non-current | | |
| Other trade payables | (209) | (1,856) |
| Deferred income | (11,907) | (10,560) |
| | (12,116) | (12,416) |

20. Finance lease liabilities

Company as lessee

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

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

| | 31 March 2017 £000 | 31 March 2016 £000 |
|---------------------------------|--------------------------|--------------------------|
| Carrying value of assets | | |
| Other Land and Buildings | 21,570 | 20,440 |
| Investment Property | 20,855 | 8,045 |
| Development Properties | 11,258 | 11,258 |
| | 53,683 | 39,743 |

Notes to the Financial Statements

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

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

| | 31 March 2017 £000 | 31 March 2016 £000 |
|--|--------------------------|--------------------------|
| Finance lease liabilities (net present value of minimum lease payments): | | |
| Current | 1 | 1 |
| Non-current | 39 | 40 |
| Finance costs payable in future years | 50 | 52 |
| Minimum lease payments | 90 | 93 |

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

| | 31 March 2017 £000 | 31 March 2016 £000 |
|---|--------------------------|--------------------------|
| Not later than one year | 3 | 3 |
| Later than one year and not later than five years | 11 | 11 |
| Later than five years | 76 | 79 |
| | 90 | 93 |

The present value of the minimum lease payments:

| | 31 March 2017 £000 | 31 March 2016 £000 |
|---|--------------------------|--------------------------|
| Not later than one year | 1 | 1 |
| Later than one year and not later than five years | 4 | 4 |
| Later than five years | 35 | 36 |
| | 40 | 41 |

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

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

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

Held as Inventory on the Statement of Financial Position:

- **Stephenson Street** - a long term lease of 99 years with Network Rail, expiring in 2069, for the land and railway arches at Stephenson Street (ex-Parcelforce Site) in West Ham providing part of the access to the larger freehold adjoining property belonging to the Company.

Notes to the Financial Statements

- **Thames Wharf** - two long leases (57 and 60 years long) the Company took out with the London Borough of Newham at Thames Wharf as part of the larger property. Both leases expire in 2026;
- **20 Newburn Street, Kennington** - this property is leased from London Housing Quadrant on a 125-year lease ending in 2129. It has subsequently been leased out on peppercorn rental to Riverside Community Development Trust; and
- **CEME** - this property is leased from Ford Motor Company on a 125-year lease ending in 2126.

21. Financial instruments

Categories of financial instruments

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

| | Carrying Value 31 March 2017 £000 | Carrying Value 31 March 2016 £000 |
|--|--|--|
| Investments-Non-current | | |
| Loans and receivables at amortised costs | 62,720 | 37,958 |
| Available-for-sale financial assets | 50,332 | 52,900 |
| Total investments | 113,052 | 90,858 |
| Receivables Non-current | | |
| Loans and receivables at amortised costs | 180 | 180 |
| Finance lease receivables | 132,786 | 127,706 |
| Total Receivables | 132,966 | 127,886 |
| Borrowings-Non current | | |
| Financial liabilities at amortised costs | (265,000) | (300,000) |
| Total borrowings | (265,000) | (300,000) |
| Other Non current Liabilities | | |
| Finance lease liabilities | (39) | (40) |
| Total other Non current liabilities | (39) | (40) |
| Payables Non-current | | |
| Financial liabilities at amortised costs | (209) | (1,856) |
| Total Payables | (209) | (1,856) |

Notes to the Financial Statements

| | Carrying Value 31 March 2017 £000 | Carrying Value 31 March 2016 £000 |
|--|---|---|
| Investments Current | | |
| Loans and receivables at amortised costs | 60 | - |
| Total investments | 60 | - |
| Receivables Current | | |
| Loans and receivables at amortised costs | 20,396 | 31,500 |
| Finance lease receivables | 14,850 | 4,136 |
| Total Debtors | 35,246 | 35,636 |
| Cash and cash equivalents | 9,345 | 65,063 |
| Borrowings Current | | |
| Financial liabilities at amortised costs | (63,371) | (20,000) |
| Total borrowings | (63,371) | (20,000) |
| Other Current Liabilities | | |
| Finance lease liabilities | (1) | (1) |
| Total other current liabilities | (1) | (1) |
| Payables Current | | |
| Financial liabilities at amortised costs | (14,802) | (33,144) |
| Total Payables | (14,802) | (33,144) |

Unquoted equity investments at cost

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

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

Fair values of assets and liabilities

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

- Published market data for comparable instruments at 31 March 2017 are used to obtain discount rates for long term borrowings;

Notes to the Financial Statements

Credit risk

The Company's policy is to place all funds surplus to the current account balance required to make payments, on callable deposit with its ultimate parent, the Greater London Authority. The GLA has a high credit standing (AA/A-1+) and high levels of central government support. Therefore the Company considers credit risk arising from cash and short term deposits to be adequately minimised. There has been no historical experience of default by a UK local authority.

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

The maximum exposure to credit risk on receivables at 31 March 2017 is £168.2m (£163.5m - 31 March 2016).

Liquidity risk

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

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

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

Borrowings

| | Interest rate | 31 March 2017 £000 | 31 March 2016 £000 |
|-----------------------------------|--|--------------------------|--------------------------|
| Non-current | | | |
| Amounts due to ultimate parent | Fixed: 3.33% | (265,000) | (300,000) |
| Current | | | |
| Amounts due to ultimate parent | Variable: Average daily return on pooled GLA Group Investment Syndicate investments | (7,944) | - |
| Amounts due to ultimate parent | Variable: EU reference rate plus 0.6% | (20,000) | (20,000) |
| Amounts due to ultimate parent | Fixed: 3.33% | (35,000) | - |
| Interest owed as at 31 March 2017 | | (427) | - |
| | | (63,371) | (20,000) |

Notes to the Financial Statements

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

| | 31 March 2017 | 31 March 2016 |
|---|------------------|------------------|
| | £000 | £000 |
| Within one year-Principal | (62,944) | (20,000) |
| Within one year-Interest | (427) | - |
| Greater than one and up to two years-Principal | (20,000) | (35,000) |
| Greater than two and up to five years-Principal | (120,000) | (70,000) |
| Greater than five and up to ten years-Principal | (90,000) | (155,000) |
| More than ten years-Principal | (35,000) | (40,000) |
| | (328,371) | (320,000) |

Market risk

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

Loan investments

£24.6m of the Company's investments attract interest on a variable rate basis. A 1% rise in interest rates would deliver an additional £0.2m in interest receivable, whereas a fall would lead to a reduction in receipts of £0.1m. The amounts are not equal because the current relevant rates are below 0.5%.

Equity mortgages

At 31 March 2017, if UK house prices had been 1% lower and all other variables were held constant, the Company's house price linked financial assets, which are solely available for sale financial assets, would decrease in value, excluding the effects of tax, by £0.5m, with a corresponding reduction in equity.

23. Provisions

| | Other | CPO | |
|--|----------------|----------------|----------------|
| | Provisions | Provisions | Total |
| | £000 | £000 | £000 |
| Balance at 1 April 2016 | (2,751) | (3,356) | (6,107) |
| Additional provisions made during the period | (123) | (130) | (253) |
| Amounts used in year | 292 | 119 | 411 |
| Unused amounts reversed in year | 1,650 | 2,217 | 3,867 |
| Balance at 31 March 2017 | (932) | (1,150) | (2,082) |

Compulsory purchase orders (CPO)

The CPO provision of £1.2m is the forecast of liabilities for which a binding commitment has been made as at 31 March. The provision amount has been based on the professional estimates of lawyers and surveyors of the land acquisition, development value, disturbance, statutory interest and professional fees for both sides of the negotiation on a case by case basis. Due to the nature of the liability and the need to negotiate settlement amounts, there is uncertainty on when the CPO cases will be settled and the amount of the final agreed payment. At present, it is expected that payments will be made in 2017/18.

Notes to the Financial Statements

Other provisions

Details of the more significant provisions are provided below.

Fly-tipping costs –the Company has an obligation to dispose of approximately 3,600 tonnes of waste, arising from fly-tipping, at the London Sustainable Industrial Park (LSIP) at Dagenham Dock and at other sites. The waste material will require sorting on site before disposal to a licensed landfill. The disposal costs for LSIP are currently estimated at £0.4m and £0.3m has been provided for in respect of Stephenson Street, Dock Road and Beam Park sites. The costs are likely to be incurred in the 2017/18 financial year but this is dependent on the rate at which the sorting of material on site prior to disposal progresses.

Thames Wharf drainage works - a provision of £0.05m is included in the closing balance for costs in relation to Thames Wharf development property. The drainage works are now expected to be undertaken in 2017/18. The costs are indicative and the Company is working with consultants to firm up the costs.

Millfield Transfer Station – the Company, along with the London Borough of Hackney, has an obligation to undertake repairs and other works at the Millfield Transfer Station. The obligation arises from a landfill site relocation for the 2012 Olympics. A payment was made in year, the remaining works are expected to be completed in 2017/18 and are expected to cost £0.2m.

Rent and rates provision – this provision of £1.3m for rent and rates on an underlease has been released in 2016/17.

24. Contingent liabilities and assets

Contingent liabilities

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

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

| | 31 March 2017 £000 | 31 March 2016 £000 |
|------------------------|-----------------------------------|-----------------------------------|
| Contingent Liabilities | (55,773) | (56,602) |

Compulsory Purchase Orders

Compulsory purchase orders claims are subject to complex protracted commercial negotiations. It is possible that further costs could be incurred on claims that have been deemed to be settled. Possible future costs are estimated at £0.4m.

S106 Agreements

Planning obligations are created under Section 106 of the Town and Country Planning Act 1990. They are legally binding obligations that are attached to a piece of land and are registered as local land charges against that piece of land. Planning obligations enable local authorities to secure

Notes to the Financial Statements

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

The Company has also inherited a number of S106 agreements, many of which have now expired or obligations have previously been met by the London Development Agency or the Developer. Of those remaining the obligation is either unquantifiable, to be met by the developer or non-financial in nature and have not been provided for as at 31 March 2017.

Contingent assets

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

25. Contractual commitments

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

| Project description | 31 March | 31 March |
|----------------------------|-----------------|-----------------|
| | 2017 | 2016 |
| | £000 | £000 |
| Silvertown Partnership | - | 1,128 |
| LSIP North Infrastructure | 63 | 265 |
| LSIP Infra Adoptions | 3 | 175 |
| LSIP Southern Access Road | 28 | - |
| | 94 | 1,568 |

26. Cash Flow

Adjustments to profit and loss for non-cash movements:

| For the period ended 31 March | 2017 | 2016 |
|---|---------------|---------------|
| | £000 | £000 |
| Depreciation of property, plant and equipment | (2,232) | (1,958) |
| Impairment of available for sale financial assets | 252 | 273 |
| Change in fair value of investment property | 15,751 | 3,007 |
| Movement in interest receivable | 728 | 885 |
| Movement in interest payable | (427) | - |
| Other non cash movements | 253 | 247 |
| (Increase)/ decrease in payables | 18,225 | (4,191) |
| Increase/(decrease) in receivables | (9,972) | 65,159 |
| Increase/ (decrease) in inventory | 27,050 | (29,402) |
| (Increase)/ decrease in provisions | 4,025 | 7,135 |
| Increase/(decrease) in finance lease receivables | 15,794 | (21,048) |
| Tax expense | (2,458) | (1,025) |
| | 66,989 | 19,082 |

Notes to the Financial Statements

Adjustments to profit and loss for investing and financing activities:

| For the period ended 31 March | 2017 | 2016 |
|--|--------------|---------------|
| | £000 | £000 |
| Gain/(loss) on available for sale financial assets | 4,314 | 5,356 |
| Gain/(loss) on sale of investment property | (295) | 5,471 |
| | 4,019 | 10,827 |

Cash Flow Statement – included in operating activities

| For the period ended 31 March | 2017 | 2016 |
|--------------------------------------|-------------|-------------|
| | £000 | £000 |
| Interest received | (661) | (255) |
| Interest paid | 9,992 | 9,998 |
| Corporation tax paid | 2,100 | 588 |

Cash Flow Statement – Investing Activities

| For the period ended 31 March | 2017 | 2016 |
|--|---------------|-----------------|
| | £000 | £000 |
| Purchase of property, plant and equipment, investment property and intangible assets | 133 | 131 |
| Purchase of short-term and long-term investments | 28,266 | 100 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (300) | (8,960) |
| Proceeds from the sale of available for sale financial assets | (8,329) | (10,556) |
| Proceeds from short-term and long-term investments | (4,425) | - |
| Net cash flows from investing activities | 15,345 | (19,285) |

Cash Flow Statement – Financing Activities

| | 2017 | 2016 |
|---|----------------|-------------|
| | £000 | £000 |
| Cash receipts of short and long-term borrowing | (7,944) | - |
| Net cash flows from financing activities | (7,944) | - |

27. Capital and Reserves

Ordinary shares

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

Notes to the Financial Statements

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

29. Related Parties

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

Transactions with ultimate parent

During the year, the Greater London Authority (GLA) charged the Company £3.7m for staff, accommodation and other overhead costs (£3.9m- 2015/16).

Loans from the GLA total £328m (£320m in 2015/16) with interest of £10.4m payable to the GLA in respect of these loans (£9.9m – 2015/16) (see notes 21 and 22 for further details).

£0.06m interest was earned on loan investments placed with the GLA during the year.

Balances owed to the GLA, at 31 March 2017, are reported in note 19.

Transactions with joint venture

Barking Riverside Limited

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

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

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

Notes to the Financial Statements

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

- 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 2017.

Transactions with Associates

Royal Docks Management Authority Limited

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

At 31 March 2017, the Company holds 96.9% of the RoDMA shares and 40.3% of the voting rights. The Department for Environment Food and Rural Affairs holds a special share which gives it control over key decisions; the Company therefore has significant influence but does not control RoDMA. RoDMA is held as an associate in the Company's financial statements but, as it was acquired at nil cost, there is no carrying value in the Company's accounts.

During 2016/17, £0.5m was payable to RoDMA for service charges and insurance. A further net amount of £0.9m was payable in respect of land surrendered by RoDMA to GLA Land and Property Limited to allow the London City Airport project to progress.

Other related parties

Greenwich Peninsula Estate Management Limited

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

- There were no transactions between the Company and Greenwich Peninsula Estate Management Limited in the year ended 31 March 2017.

30. Events occurring after the reporting date

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

