

Registered Number 00001160C

THE CITY OF LONDON REAL PROPERTY COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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Strategic Report for the year ended 31 March 2014

The directors present their report with the audited financial statements of the Company for the year ended 31 March 2014.

RESULTS FOR THE YEAR

The results are set out in the Profit and Loss Account on page 5.

During the year the company adopted Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

REVIEW OF THE BUSINESS

The Company has continued its business of property investment in the United Kingdom. No changes in the Company's principal activity are anticipated in the foreseeable future.

KEY PERFORMANCE INDICATORS

The directors assess the performance of the Company by reference to the valuation surplus upon revaluation of the Company's investment properties and profit before tax.

CREDITOR PAYMENT POLICY

Land Securities Properties Limited, a fellow group undertaking, manages payments to suppliers for the Land Securities Group. The Company agrees the terms and conditions under which business transactions with its suppliers are conducted. It is policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions. Trade creditors at 31 March 2014 were equivalent to 28 days of purchases during the year ended on that date.

FINANCIAL RISK MANAGEMENT

The Company is exposed to liquidity risk, credit risk and interest rate risk. Given the absence of external borrowings in the Company, these risks are not considered material.

While the Company has minimal short term liquidity requirements, any funding requirements could be covered by committed facilities held by other Group companies.

The Company's principal financial assets are trade and other debtors, and therefore the credit risk it faces is primarily attributable to its trade debtors. The amounts presented in the Balance Sheet are net of doubtful debts. An allowance for impairment is made where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debtors concerned.

There is no material difference between the book value and the fair value of the financial instruments.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided in the Group's Annual Report, which does not form part of this report.

Registered Office
5 Strand
London
WC2N 5AF



By order of the Board:
L F Glover, for and on behalf of LS Company Secretaries Limited,
Company Secretary
27 October 2014

Registered in England and Wales
Registered number: 00001160C

Directors' Report for the year ended 31 March 2014

The directors present their report with audited financial statements of the Company for the year ended 31 March 2014.

PRINCIPAL ACTIVITY

The Company has continued its business of property investment in the United Kingdom.

DIFFERENCES BETWEEN MARKET AND BALANCE SHEET VALUE OF LAND

In the opinion of the directors, the difference between the market value and balance sheet value of land is not significant.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

C M Gill
R M Noel
Land Securities Management Services Limited
Land Securities Portfolio Management Limited (resigned 30 April 2013)
LS Director Limited

INDEMNITY

The Company has made qualifying third party indemnity provisions for the benefit of the respective directors which were in place throughout the year and which remain in place at the date of this report.

AUDITOR

Following the resignation of PricewaterhouseCoopers LLP as auditor to the Company on 24 July 2013, Ernst & Young LLP were appointed as auditor to the Company.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the Directors' Report is approved, the following applies:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he 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.

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London
WC2N 5AF



By order of the Board
L F Glover, for and on behalf of LS Company Secretaries Limited,
Company Secretary
27 October 2014

Registered in England and Wales
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Directors' Responsibilities for the year ended 31 March 2014**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, 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 the directors have prepared the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

Independent Auditors' Report to the Members of The City of London Real Property Company Limited for the year ended 31 March 2014

We have audited the financial statements of The City of London Real Property Company Limited for the year ended 31 March 2014 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

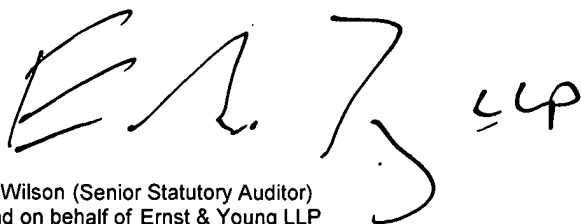
Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.



David Wilson (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP
Chartered Accountants and Statutory Auditors
London
27 October 2014

Income Statement for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000 (restated)
Revenue: Gross property income	4	41,341	60,081
Net rental income	4	33,731	48,665
Property management and administrative expenses	5	(2,363)	(2,385)
(Loss) / profit on disposal of investment properties	8	(9,600)	1,365
Profit on disposal of subsidiaries	9	784	-
Net surplus on revaluation of investment properties	8	53,256	35,588
Operating profit		75,808	83,233
Interest receivable and similar income	6	240	18
Interest payable and similar charges	6	(1,268)	(4,774)
		74,780	78,477
Dividend received		-	33,000
Profit before tax		74,780	111,477
Income tax	7	(51)	(3,710)
Profit for the financial year		74,729	107,767

Statement of comprehensive income for the year ended 31 March 2014

	2014 £'000	2013 £'000 (restated)
Profit for the financial year	74,729	107,767
Other comprehensive income consisting of:		
Other comprehensive income for the financial year	-	-
Total comprehensive income for the financial year	74,729	107,767

Balance Sheet as at 31 March 2014

	Notes	31 March 2014 £'000	31 March 2013 £'000 (restated)	1 April 2012 £'000 (restated)
Non-current assets				
Investment properties	8	710,776	797,882	749,182
Investments in subsidiary undertakings	9	100,000	-	-
Trade and other receivables	10	5,994	10,138	-
Total non-current assets		816,770	808,020	749,182
Current assets				
Trade and other receivables	10	70,390	51,105	57,958
Total current assets		70,390	51,105	57,958
Total assets		887,160	859,125	807,140
Current liabilities				
Trade and other payables	11	(22,883)	(68,562)	(122,914)
Provisions	12	(255)	(1,225)	(2,655)
Total current liabilities		(23,138)	(69,787)	(125,569)
Non-current liabilities				
Trade and other payables	11,13	(2,319)	(2,364)	(2,364)
Total non-current liabilities		(2,319)	(2,364)	(2,364)
Total liabilities		(25,457)	(72,151)	(127,933)
Net assets		861,703	786,974	679,207
Equity				
Capital and reserves attributable to the owners of the Parent				
Ordinary shares	14	269,637	269,637	269,637
Share premium		2,930	2,930	2,930
Retained earnings		589,136	514,407	406,640
Total Equity		861,703	786,974	679,207

The financial statements on pages 5 to 17 were approved by the Board of Directors on 27 October 2014 and were signed on its behalf by:

C.M Gill
Director



Statement of changes in equity

	Notes	Ordinary shares £'000	Share premium £'000	Revaluation reserve * £'000	Retained earnings £'000	Total £'000
At 1 April 2012		269,637	2,930	176,121	230,519	679,207
Prior year restatement	20	-	-	(176,121)	176,121	-
At 1 April 2012 (restated)		269,637	2,930	-	406,640	679,207
Profit for the year ended 31 March 2013		-	-	-	107,767	107,767
Total comprehensive income for the year ended 31 March 2013		-	-	-	107,767	107,767
At 31 March 2013		269,637	2,930	-	514,407	786,974
Profit for the year ended 31 March 2014		-	-	-	74,729	74,729
Total comprehensive income for the year ended 31 March 2014		-	-	-	74,729	74,729
At 31 March 2014		269,637	2,930	-	589,136	861,703

*Under UK GAAP unrealised gains / deficits upon revaluation of the Company's investment properties passed through a revaluation reserve. Under FRS 101 unrealised gains / deficits upon revaluation of investment properties pass through the income statement. As a result of converting the Company's financial statements to FRS 101 the revaluation reserve has been transferred to retained earnings.

1. Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements are prepared under the historical cost convention modified to include the revaluation of investment properties. These are the first financial statements of the Company prepared in accordance with FRS101.

The results of the Company are included in the consolidated financial statements of Land Securities Group PLC which are available from 5 Strand, London, WC2N 5AF.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2014. The financial statements are prepared in Sterling and are rounded to the nearest thousand pounds (£000).

The company has transitioned from previously extant UKGAAP to FRS101 for all periods presented.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 'Financial Instruments: Disclosures';⁽¹⁾
- (b) the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement';⁽¹⁾
- (c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1 'Presentation of Financial Statements';
 - ii. paragraph 73(e) of IAS 16 'Property, Plant and Equipment';
 - iii. paragraph 118(e) of IAS 38 'Intangible Assets';
 - iv. paragraphs 76 and 79(d) of IAS 40 'Investment Property';
- (d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 'Presentation of Financial Statements';
- (e) the requirements of IAS 7 'Statement of Cash Flows';
- (f) the requirements of paragraph 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- (g) the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (h) the requirements of paragraphs 134(d)-134(f) and 135(C)-135(E) of IAS 36 'Impairment of Assets'.⁽¹⁾

1. The equivalent disclosures are included in the consolidated financial statements of Land Securities Group PLC, in which the entity is consolidated.

2. Significant accounting policies

The accounting policies which follow set out those which apply in preparing the financial statements for the year ended 31 March 2014.

(a) Segmental reporting

The Company's activities consist solely of property investments in the United Kingdom.

(b) Investment properties

Investment properties are those properties, either owned by the Company or where the Company is a lessee under a finance lease, that are held either to earn rental income or for capital appreciation, or both. In addition, properties held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment properties are measured initially at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at their fair values based on market value determined by professional independent valuers at each reporting date. Properties are treated as acquired at the point when the Company assumes the significant risks and returns of ownership and as disposed when these are transferred to the buyer. This generally occurs on unconditional exchange, except where completion is expected to occur significantly after exchange. Additions to investment properties consist of costs of a capital nature and, in the case of investment properties under development, capitalised interest. Certain internal staff and associated costs directly attributable to the management of major schemes during the construction phase are also capitalised.

The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the income statement as a valuation surplus or deficit.

When the Company begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property and is accounted for as such. When the Company begins to redevelop an existing investment property with a view to sell, the property is transferred to trading properties and held as a current asset. The property is re-measured to fair value as at the date of the transfer with any gain or loss being taken to the income statement. The re-measured amount becomes the deemed cost at which the property is then carried in trading properties.

2. Significant accounting policies (continued)

(c) Other property, plant and equipment

This category comprises computers, motor vehicles, furniture, fixtures and fittings and improvements to Company offices. These assets are stated at cost less accumulated depreciation and are depreciated to their residual value on a straight-line basis over their estimated useful lives of between two and five years.

The residual values and useful lives of all property, plant and equipment are reviewed, and adjusted if appropriate, at least at each financial year end.

(d) Investment in a joint venture

Investments in a joint venture / associate undertaking are carried at cost, less any repayment of joint venture capital and provision for impairment in value.

(e) Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost in the Company's balance sheet, less any provision for impairment in value.

(f) Other investments

Other investments are available-for-sale financial assets and are held at fair value. Changes to fair value are recorded within other comprehensive income.

(g) Trading properties and long-term development contracts

Trading properties are those properties held for sale or those being developed with a view to sell and are shown at the lower of cost and net realisable value. Proceeds received on the sale of trading properties are recognised within Revenue.

Revenue on long-term development contracts is recognised according to the stage reached in the contract by reference to the value of work completed using the percentage of completion method. An appropriate estimate of the profit attributable to work completed is recognised once the outcome of the contract can be estimated reliably. The gross amount due from customers for contract work is shown as a receivable. The gross amount due comprises costs incurred plus recognised profits less the sum of recognised losses and progress billings. Where the sum of recognised losses and progress billings exceeds costs incurred plus recognised profits, the amount is shown as a liability.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value, subsequently at amortised cost and, where relevant, adjusted for the time value of money. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables concerned. If collection is expected in more than one year, they are classified as non-current assets.

(i) Cash and cash equivalents

Cash and cash equivalents comprises cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or fewer. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are deducted from cash and cash equivalents for the purpose of the statement of cash flows.

(j) Provisions

A provision is recognised in the balance sheet when the Company has a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where relevant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Revenue

Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis. Service charges and other recoveries are recorded as income in the periods in which they are earned.

When property is let under a finance lease, the Company recognises a receivable at an amount equal to the net investment in the lease at inception of the lease. Rentals received are accounted for as repayments of principal and finance income as appropriate. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining net investment in the finance lease. Contingent rents, being lease payments that are not fixed at the inception of a lease, for example turnover rents, are recorded as income in the periods in which they are earned.

2. Significant accounting policies (continued)

(l) Expenses

Property and contract expenditure is expensed as incurred with the exception of expenditure on long-term development contracts (see (g) above).

Rental payments made under an operating lease are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are an integral part of the net consideration for the use of the property and also recognised on a straight-line basis.

Minimum lease payments payable on finance leases and operating leases accounted for as finance leases under IAS 40 are apportioned between finance expense and reduction of the outstanding liability. Finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining liability. Contingent rents (as defined in (k) above) are charged as an expense in the periods in which they are incurred.

(m) Impairment

The carrying amounts of the Company's non-financial assets, other than investment properties (see (b) above), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

(n) Interest

Interest is accounted for on an accruals basis.

(o) Borrowing costs

Borrowing costs associated with direct expenditure on properties (both trading and investment) under development or undergoing major refurbishment are capitalised. The interest capitalised is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of land or property acquired specifically for redevelopment in the short-term but only where activities necessary to prepare the asset for redevelopment are in progress.

(p) Income taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

(q) Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A pool of assets controlled by the Group but owned by various subsidiaries across the Group act as financial guarantee against Group debt. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation. In practice, where an asset acts as financial guarantee the value attached to this guarantee is nil.

2. Significant accounting policies (continued)

(r) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company is the lessee

i) Operating lease – leases in which substantially all risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

ii) Finance lease – leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised within investment properties at the commencement of the lease at the lower of the fair value of the property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The finance charges are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are subsequently carried at their fair value.

Company is the lessor

i) Operating lease – properties leased out to tenants under operating leases are included in investment properties in the balance sheet.

ii) Finance lease – when assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return. Where only the buildings element of a property lease is classified as a finance lease, the land element is shown within operating leases.

(s) Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

(t) Prior year adjustment

The prior year has been restated because the revaluation reserve has been transferred into retained earnings as a result of FRS 101 being adopted.

(u) Group accounts

The financial statements present information about the Company as an individual undertaking and not about its group. The Company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary of Land Securities Group PLC, a Company incorporated in England and Wales whose consolidated financial statements are publicly available.

3. Significant judgements, key assumptions and estimates

The Company's significant accounting policies are stated in note 2 above. Not all of these significant accounting policies require management to make difficult, subjective or complex judgements or estimates. The following is intended to provide an understanding of the policies that management consider critical because of the level of complexity, judgement or estimation involved in their application and their impact on the consolidated financial statements. These judgements involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

(a) Investment property valuation

The Company uses the valuation performed by its external valuer, Knight Frank LLP, as the fair value of its investment properties.

The valuation of the Company's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Company places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

The investment property valuation contains a number of assumptions upon which Knight Frank LLP has based its valuation of the Company's properties as at 31 March 2014. The assumptions on which the Property Valuation Reports have been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, ground conditions at the properties, the structural condition of the properties, prevailing market yields and comparable market transactions. These assumptions are market standard and accord with the RICS Valuation Standards. However, if any assumptions made by the property valuer prove to be false, this may mean that the value of the Company's properties differs from their valuation, which could have a material effect on the Company's financial condition.

(b) Finance lease calculations

In apportioning rentals on finance lease properties, the Company is required to estimate the split of the fair values of the properties concerned between land and buildings. The inception of many of the Company's leases took place many years ago and therefore reliable estimates are very difficult to obtain. Accordingly, the Company has had to apply its judgement in estimating the split at inception of certain finance lease properties.

(c) Trading properties and long-term development contracts

Trading properties are carried at the lower of cost and net realisable value. The latter is assessed by the Company having regard to suitable valuations performed by its external valuer, Knight Frank LLP.

The estimation of the net realisable value of the Company's trading properties, especially the development land and infrastructure programmes, is inherently subjective due to a number of factors, including their complexity, unusually large size, the substantial expenditure required and long timescales to completion. In addition, as a result of these timescales to completion, the plans associated with these programmes could be subject to significant variation. As a result, and similar to the valuation of investment properties, the net realisable values of the Company's trading properties are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate.

If the assumptions upon which the external valuer has based their valuation prove to be false, this may have an impact on the net realisable value of the Company's properties, which would in turn have an effect on the Company's financial condition.

(d) Trade and other receivables

The Company is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the counterparty and the status of any disputed amounts.

4. Revenue

	2014 £'000	2013 £'000 (restated)
Rental income (excluding adjustment for lease incentives).	36,640	40,223
Adjustment for lease incentives	(1,429)	(2,603)
Rental income	35,211	37,620
Service charge income	6,130	7,023
Trading property sales proceeds	-	15,438
Gross property income	41,341	60,081
Other direct property or contract expenditure	(7,610)	(11,416)
Net rental income	33,731	48,665

Other property outgoings are costs incurred in the direct maintenance and upkeep of investment properties. Void costs, which include those relating to empty properties pending redevelopment and refurbishment, costs of investigating potential development schemes which are not proceeded with, and costs in respect of housekeepers and outside staff directly responsible for property services, are also included.

5. Property management and administrative expenses

Property management and administrative expenses consist of all costs of managing the property, together with the costs of rent reviews and renewals, re-lettings of the property and management services as explained in note (a) below. No staff costs or overheads are capitalised.

(a) Management services

The Company had no employees during the year (2013: None). Management services were provided to the Company throughout the year by Land Securities Properties Limited, which is a group undertaking, and amount to £2,363,396 (2013: £2,099,750).

(b) Directors' remuneration

The directors of the Company received no emoluments from Land Securities Properties Limited for their services to the Company. The amounts allocated to services for this Company were of negligible value (2013: £Nil).

(c) Auditors' remuneration

The Group's auditors' remuneration is borne by Land Securities Properties Limited. The proportion of the remuneration which relates to the Company amounts to £1,545 (2013: £1,471). The auditors received no remuneration for non-audit services provided to the Company during the year (2013: £Nil).

(d) Provision for impairment in value

An impairment of £nil (2013: £nil) in respect of an investment in subsidiary undertakings.

6. Net interest income

	2014 £'000	2013 £'000
Interest expense		
Interest payable on loans from Group undertakings	(3,223)	(4,774)
	(3,223)	(4,774)
Interest capitalised in relation to properties under development	1,955	-
Total interest expense	(1,268)	(4,774)
Interest income		
Other interest receivable	240	18
Total interest income	240	18
Net interest expense	(1,028)	(4,756)

Included within other direct property or contract expenditure (note 4) is finance lease interest payable of £0.275m (2013: £0.289m).

The Company has capitalised interest in relation to properties under development at a rate of 5.5% (2013: 5.5%).

7. Income tax

	2014 £'000	2013 £'000
Current tax		
Income tax on profit for the year	55	3,710
Adjustment in respect of prior years	(4)	-
Total income charge in the income statement	51	3,710
Deferred tax		
Deferred tax on timing differences arising in the year	-	-
Prior year deferred tax	-	-
Total deferred tax charge in the income statement	-	-
Total tax charge	51	3,710
Factors affecting the tax charge for the year		
The tax for the year is lower (2013: lower) than the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below:		
Profit before tax	74,780	111,477
Profit before tax multiplied by the rate of corporation tax in the UK of 23% (2013: 24%)	17,199	26,754
Effects of:		
Non-taxable income	(180)	(7,920)
Adjustments in respect of prior years	(4)	-
Exempt property rental profits in the year ended 31 March 2014 / 31 March 2013	(16,964)	(15,124)
Total income charge in the income statement (as above)	51	3,710

Land Securities Group PLC is a Real Estate Investment Trust (REIT). As a result the Company does not pay UK corporation tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Company continue to be subject to corporation tax as normal.

8. Investment properties

	Freehold £'000	> 50 years leasehold £'000	Total £'000
At 1 April 2013 as previously stated	83,712	755,547	839,259
Prior year adjustment	17,579	(58,956)	(41,377)
At 1 April 2013 as restated	101,291	696,591	797,882
Additions	26,874	5,051	31,925
Disposals	(118,914)	(53,373)	(172,287)
Surplus on revaluation of investment properties	12,838	40,418	53,256
Net book value at 31 March 2014	22,089	688,687	710,776
Net book value at 31 March 2013	75,437	722,445	797,882

The historical cost of the investment properties is **£451,473,483** (2013: £586,171,971). The difference between the carrying amount and historical cost is **£259,302,600**. The valuations are prepared by Knight Frank LLP, independent valuers in accordance with the valuation principles of the Appraisal and Valuation manual of the Royal Institute of Chartered Surveyors.

Gross proceeds of **£163m** were received relating to the investment property disposal, which generated a loss on disposal of **£9.6m**.

At 31 March 2014 the cumulative interest capitalised in relation to investment properties under development amounts to **£19,420,668** (2013: £17,465,974).

The above investment properties act as security against listed debt recognised within a fellow Land Securities Group PLC subsidiary.

Contractual commitments of **£86,365,786** (2013: £2,100,000) were entered into at the balance sheet date relating to investment properties under development.

9. Investment in subsidiary undertakings

	2014 £'000
At 1 April 2013	-
Acquisitions made during the year	100,000
At 31 March 2014	100,000

The profit on disposal of investment in subsidiaries of **£0.784m** relates to the release of **£0.13m** worth of disposal accruals associated with the Arundel Great Court South Limited sale. **£0.654m** of disposal proceeds have also been recognised in the current year which had previously been recognised in another Land Securities Group PLC entity in error. This amount constitutes a prior year error but has not been retrospectively restated because the directors do not deem this error to be fundamental in nature.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The subsidiary undertakings of the Company are:

Name	Class of shares	Percentage of share capital owned	Principal country of incorporation	Nature of business
LS 1 New Street Square Limited	£1 Ordinary shares	100%	England	Property investment
LS 1 New Street Square Developer Limited	£1 Ordinary shares	100%	England	Dormant
LS Ludgate (No. 1) Limited	£1 Ordinary shares	100%	England	Property investment
LS Ludgate (No. 2) Limited	£1 Ordinary shares	100%	England	Property investment
LS Ludgate (No. 3) Limited	£1 Ordinary shares	100%	England	Dormant
LS Ludgate Development Limited	£1 Ordinary shares	100%	England	Dormant

10. Trade and other receivables

	2014 £'000	2013 £'000 (restated)
Trade receivables	1,353	1,924
Less: allowance for doubtful accounts	(86)	(153)
Net trade receivables	1,267	1,771
Other receivables	25	8
Loans to Group undertakings	21,810	-
Prepayments and accrued income	47,288	49,326
Total current trade and other receivables	70,390	51,105
Plus: non-current trade and other receivables	5,994	10,138
Total trade and other receivables	76,384	61,243

The unsecured loan to the Group undertaking is repayable on demand with no fixed repayment date. Interest is charged at 5.5% per annum (2013: 5.5%).

11. Trade and other payables

	2014 £'000	2013 £'000 (restated)
Capital payables	9,685	232
Accruals and deferred income	11,755	12,386
Current tax liabilities	1,443	5,566
Loans from Group undertakings	-	50,378
Total current trade and other payables	22,883	68,562
Non-current trade and other payables	2,319	2,364
Total trade and other payables	25,202	70,926

Capital payables represent amounts due under contracts to purchase properties, which were unconditionally exchanged at the year end, and for work completed on investment properties but not paid for at the year end. Deferred income principally relates to rents received in advance.

The unsecured loan from the Group undertaking was repaid during the year.

12. Provisions

	£'000
At 1 April 2013	1,225
Utilised in the year	(450)
Released to the income statement in the year	(520)
At 31 March 2014	255

Included in the balance above, the following amounts are anticipated to be utilised within one year:

At 31 March 2013	970
At 31 March 2014	255

Provisions relate to costs arising in the ordinary course of business in respect of a number of properties held by the Company.

13. Obligations under finance leases

	2014 £'000	2013 £'000
The minimum lease payments under finance leases fall due as follows:		
Not later than one year	276	275
Later than one year but not more than five years	1,100	1,100
More than five years	26,431	26,706
	27,807	28,081
Future finance charges on finance leases	(25,488)	(25,762)
Present value of finance lease liabilities	2,319	2,319
The present value of finance lease liabilities is as follows:		
Not later than one year	-	-
Later than one year but not more than five years	-	-
More than five years	2,319	2,319
	2,319	2,319

The fair value of the Company's lease obligations, using a discount rate of 5.0% (2013: 4.9%), is £5,485,041 (2013: £5,529,794).

14. Ordinary share capital

	2014 Number	Authorised 2013 Number	Allotted and fully paid 2014 £	2013 £
Ordinary shares of £1.00 each	269,636,808	269,636,808	269,636,808	269,636,808

15. Contingencies

The Company has contingent liabilities in respect of legal claims, guarantees, and warranties arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

The Company's properties are charged as guarantee for debenture stocks and other borrowings of a parent company.

16. Cash flow statement exemption

The Company is a wholly owned subsidiary of Land Securities Group PLC which prepares a consolidated cash flow statement. The Company has therefore elected to make use of the exemption provided in Financial Reporting Standard 101 not to produce its own cash flow statement.

17. Related party transactions

The Company is a wholly owned subsidiary of Land Securities Group PLC and has taken advantage of the exemption provided in FRS 101 not to make disclosure of transactions with other entities that are part of the Group.

18. Operating lease arrangements

The Company earns rental income by leasing its investment and operating properties to tenants under non-cancellable operating leases.

At the balance sheet date, the Company had contracted with tenants to receive the following future minimum lease payments:

	2014 £'000	2013 £'000
Operating leases which expire:		
Not later than one year	37,069	35,740
Later than one year but not more than five years	144,499	147,553
More than five years	287,970	321,985
	469,538	505,278

The total of contingent rents recognised as income during the year was £nil (2013: £nil).

19. Parent company

The immediate parent company is LS London Holdings One Limited.

The ultimate parent company and controlling party at 31 March 2014 was Land Securities Group PLC, which is registered in England and Wales. This is the largest parent company of the group to consolidate these financial statements.

Consolidated financial statements for the year ended 31 March 2014 for Land Securities Group PLC can be obtained from the Company Secretary, 5 Strand, London WC2N 5AF. This is the largest and smallest Group to include these accounts in its consolidated financial statements.

20. Transition to FRS 101

For all periods up to and including the year ended 31 March 2013, the Company prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 March 2014, are the first the Company has prepared in accordance with FRS 101. The company has early adopted FRS 101, which is permitted under the standard.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 April 2013 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 April 2012, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. This note explains the principal adjustments made by the Company in restating its UK GAAP balance sheet as at 1 April 2012 and its previously published UK GAAP financial statements for the year ended 31 March 2013.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

In preparing the IFRS accounts, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with UK GAAP. An explanation of how the transition has affected the Company's financial performance and position is set out in the following tables and accompanying narrative.

There are no material differences between the UK GAAP Balance Sheet and the new FRS 101 Balance Sheet.

	Notes	2013 £'000	2012 £'000
Equity shareholder's funds under UK GAAP		786,974	679,207
FRS 101 adjustments			
Revaluation surplus on investment properties	(a)	-	-
Finance leases	(b)	-	-
Tenant lease incentives	(c)	-	-
Equity shareholder's funds under FRS 101		786,974	679,207

	Notes	2013 £'000	2012 £'000
Profit attributable to ordinary shareholder's under UK GAAP		67,060	32,819
FRS 101 adjustments			
Revaluation surplus on investment properties	(a)	35,588	11,539
Finance leases	(b)	-	-
Tenant lease incentives	(c)	5,119	8,538
Profit attributable to ordinary shareholder's under FRS 101		107,767	52,896

Notes

(a) The surpluses and deficits arising on the periodic revaluation of the investment property portfolio are now taken through the income statement.

(b) Tenant leases which transfer substantially all of the risks and rewards of ownership to the tenant are treated as finance leases. The property is de-recognised from the balance sheet and a receivable recognised in its place.

(c) The cost of tenant lease incentives, such as rent free periods, are now amortised over the term of the leases concerned rather than over the period to the first review to market rents.