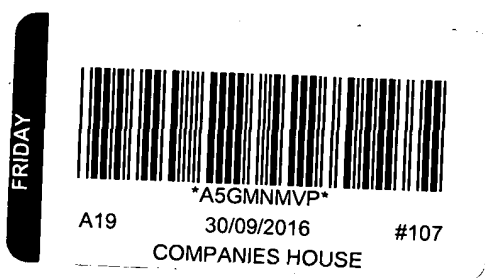


**LONDON & STRATEGIC ESTATES
LIMITED**

Annual report and financial statements

for the year ended 31 March 2016



LONDON & STRATEGIC ESTATES LIMITED

Contents

Directors' report	1
Directors' responsibilities statement	4
Independent auditor's report	5
Profit and loss account	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10

LONDON & STRATEGIC ESTATES LIMITED

Directors' report

The directors present their annual report on the affairs of London & Strategic Estates Limited ('the Company'), together with the financial statements and auditor's report, for the year ended 31 March 2016.

The company has adopted The Financial Reporting Standard 102 ("FRS 102") which was effective from 1 January 2015. See note 18 for details of the significant accounting differences between the previous accounting standards applied to the 2014 figures and FRS 102 and the adjustments made to the comparatives in these financial statements.

Exemption

This directors' report has been prepared in accordance with the provisions applicable to small companies entitled to small companies exemption which exempt the company from the extended information disclosure requirements including the preparation of a strategic report.

Principal activity and review of the business

The principal activity of the company is that of property investment. The company has had an excellent year, with the profit on ordinary activities before taxation increasing to £21.8m from £7.9m in the prior year. The company continued its main strategy during the year of divesting itself of multi-let investment properties which tend to be both capital and management time intensive, and re-investing the proceeds in investment property which had either single or a couple of tenants with good covenants. The disposal of the investment properties led to a gain on disposal of £19.07m in the current year (£865,000 in 2015). Due to the timing of the disposals of the investment properties, both this year and last, combined with the time lag in the re-investment of the proceeds, operating profit has fallen from £3m to £2m in the current year. It is envisaged that operating profit will return to £3m in the year ended 31 March 2017, as full contributions start to flow through from the acquisitions made during the year.

As a result of the disposals the company has now repaid all bank borrowing and it is the directors' intention that all future activity will be financed from the company's own cash flow, without recourse to third party borrowing.

Future developments

The directors are looking to continue to invest the company's cash balance into good quality investment property, with existing tenants in place and good covenants attached. The intention is that the majority of the rental income from these properties as possible flows through to the operating profit line. As cash flow and operating profit improve, the company will be able to use the cash flow to invest in further properties, which should help the company compound its growth. The directors are also looking to further consolidate the company's performance and to continue to improve and invest in the company's existing assets, so the properties remain an attractive proposition for both existing and future tenants. By keeping the properties fully maintained and smart in appearance it is hoped that rental income will remain consistent and voids will remain low, thus ensuring continued profitability.

The directors continue to review the fixed and operating costs across the company and will continue to take the appropriate action where necessary to ensure that the company is as cost efficient as possible.

Events after the balance sheet date

Since 31 March 2016 the company have completed the acquisition of a further 5 investment properties for a consideration of £12.67m, at a yield of 5.4%. In addition a further property has been exchanged on, with completion due at the end of September.

Financial risk management objectives and policies

The company has no significant financial risks. The group's financial instruments comprise short-term deposits. Surplus cash balances are held on the money market in the short term at fixed rates of interest.

The wider Sapcote Group has considerable financial resources, as a consequence, the directors believe that the group is well placed to manage its business risks successfully.

LONDON & STRATEGIC ESTATES LIMITED

Directors' report (continued)

Dividends

The directors do not recommend the payment of a final dividend (2015 - £Nil).

Directors

The directors, who served throughout the year and subsequently to the date of this report except as noted, were as follows:

S W Sapcote

A Stranks

P J Hanel

J Millar (Appointed 17 September 2015)

N Griffith (Resigned 28 September 2015)

C Lewington was appointed after the year end on 27 May 2016.

Director's indemnities

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

Political contributions

The company made no political donations during the year (2015 - £Nil).

Going concern

The directors believe that the main risk factors which could affect the company are worsening economic conditions, which could impact on tenants trading and potential solvency, and lead to lower rental income and increasing bad debts and void costs. Politically motivated changes to the commercial property market as a result, of the current political uncertainty and current high levels of government debt, which could lead to additional costs for the company, increased bureaucracy and uncertain investment conditions. With ever widening gaps in national and local government budgets, care has to be taken to ensure that investment property companies are not seen as an easy target on which to raise revenue, as has happened with the private buy to let landlords. The third main risk factor is an increased supply of commercial property which starts to outstrip the number of tenants looking for new space, which would have an adverse affect on rental yields and lead to an increased likelihood of longer term rental voids. The other main risk comes from disruptive technology which continues to change the way people work, live and socialise, which can reduce and change the requirement for commercial property in different locations.

The directors are confident that the flexible strategy that is currently in place, combined with strong cash flow and prudent financial management, and low staff turnover, the company will be in a strong position to deal with any challenges or threats that may arise.

The directors have considered the trading performance of the company, as well as its current financial position, future forecasts and likely cash flows and are confident that they are consistent with the expectations of the principle shareholder. The directors have also considered risks arising from the present forecasts being detrimentally affected by unforeseen downsides, and accordingly the directors feel confident in the future financial viability of the company and its continued ability to trade strongly.

LONDON & STRATEGIC ESTATES LIMITED

Directors' report (continued)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed their willingness to continue in office as auditor of the company and they have been deemed re-appointed under section 487 of the 2006 Act.

Approval of reduced disclosures

The company, as a qualifying entity has taken advantage of the disclosure exemptions in FRS102 paragraph 1.12. The company's shareholders have been notified about the intention to take advantage of the disclosure exemptions and no objections have been received.

Approved by the Board and signed on its behalf by:



A Stranks

Director

28 September 2016

First Floor 26-30 High Street, Sutton Coldfield, B72 1UP

LONDON & STRATEGIC ESTATES LIMITED

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland".

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 judgments and accounting estimates that are reasonable and prudent; 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 AUDITOR'S REPORT TO THE MEMBERS OF LONDON AND STRATEGIC ESTATES LIMITED

We have audited the financial statements of London and Strategic Estates Limited for the year ended 31 March 2016 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18. 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 the Directors and Auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair value. 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 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 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 December 2015 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 matters prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON AND STRATEGIC ESTATES LIMITED (continued)

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; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report or in preparing the directors' report.

A handwritten signature in black ink that reads "Mark Doleman FCA". The signature is fluid and cursive, with the letters "Mark", "Doleman", and "FCA" clearly legible.

Mark Doleman FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and
Statutory Auditor
Nottingham, United Kingdom

29 September 2016

LONDON & STRATEGIC ESTATES LIMITED

Profit and loss account

For the year ended 31 March 2016

	Note	2016 £	2015 £
Turnover	3	5,489,747	5,141,498
Depreciation	9	(360,334)	(319,096)
Other operating charges		<u>(3,099,987)</u>	<u>(1,830,364)</u>
Operating profit	5	2,029,426	2,992,038
Profit on the sale of investment property		19,068,145	865,202
Gain arising on revaluation of investment property		703,144	4,429,302
Finance costs (net)	4	<u>(20,441)</u>	<u>(408,886)</u>
Profit on ordinary activities before taxation		21,780,274	7,877,656
Tax on profit on ordinary activities	8	<u>(3,731,172)</u>	<u>(1,461,955)</u>
Profit for the financial year attributable to the equity shareholders of the Company		<u>18,049,102</u>	<u>6,415,701</u>

All activities derive from continuing operations. The notes on pages 10 to 22 form part of these financial statements. The profit and loss account includes all gains and losses recognised in the year and the profit for the year represents the only movement in reserves. As a result, no statement of comprehensive income is presented.

LONDON & STRATEGIC ESTATES LIMITED

Balance sheet

At 31 March 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	9	67,025,676	78,816,201
		<u>67,025,676</u>	<u>78,816,201</u>
Current assets			
Debtors	10		
- Amounts falling due within one year		6,403,566	2,611,193
- Amounts falling due after more than one year		614,969	-
Investments – short term deposits		6,033,263	-
Cash at bank and in hand		21,467,893	6,726,434
		<u>34,519,691</u>	<u>9,337,627</u>
Creditors: amounts falling due within one year	11	(42,917,635)	(43,735,543)
Net current liabilities		<u>(8,397,944)</u>	<u>(34,397,916)</u>
Total assets less current liabilities		58,627,739	44,418,285
Creditors: amounts falling due after more than one year	12	-	(2,811,000)
Provisions for liabilities	13	-	(1,028,655)
		<u>58,627,732</u>	<u>40,578,630</u>
Net assets		<u>58,627,732</u>	<u>40,578,630</u>
Capital and reserves			
Called-up share capital	14	2	2
Revaluation reserve	14	6,744,977	17,792,840
Profit and loss account	14	51,882,753	22,785,788
		<u>58,627,732</u>	<u>40,578,630</u>
Shareholder's funds		<u>58,627,732</u>	<u>40,578,630</u>

The financial statements of London & Strategic Estates Limited (registered number 01587092) were approved by the Board of Directors and authorised for issue on 28 September 2016. They were signed on its behalf by:

S W Sapcote
Director

A Stranks
Director

LONDON & STRATEGIC ESTATES LIMITED

Statement of changes in equity At 31 March 2016

	Called-up share capital £	Profit and loss account £	Revaluation reserve (Unrealised profit reserve) £	Total £
AT 31 MARCH 2014 AS PREVIOUSLY STATED	2	7,549,176	30,875,670	38,424,848
Changes on transition to FRS 102 - deferred taxation on previous revaluations (note 18)	-	(4,261,919)	-	(4,261,919)
AT 1 APRIL 2014 AS RESTATED	2	3,287,257	30,875,670	34,162,929
Profit for the year	-	6,415,701	-	6,415,701
Other comprehensive income	-	-	-	-
Profit and total comprehensive income for the year	-	6,415,701	-	6,415,701
Reclass gains arising on revaluation of investment property into unrealised profit reserve	-	(4,429,302)	4,429,302	-
Transfer of realised profit on disposal of investment property	-	17,512,132	(17,512,132)	-
AT 31 MARCH 2015 AS RESTATED	2	22,785,788	17,792,840	40,578,630
Profit for the year	-	18,049,102	-	18,049,102
Other comprehensive income	-	-	-	-
Profit and total comprehensive income for the year	-	18,049,102	-	18,049,102
Reclass gains arising on revaluation of investment property into unrealised profit reserve	-	(703,143)	703,143	-
Transfer of realised profit on disposal of investment property	-	11,751,006	(11,751,006)	-
AT 31 MARCH 2016	2	51,882,753	6,744,977	58,627,732

LONDON & STRATEGIC ESTATES LIMITED

Notes to the financial statements

For the year ended 31 March 2016

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. General information and basis of accounting

London & Strategic Estates Limited ('the Company') is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is First Floor, 26-30, High Street, Sutton Coldfield, West Midlands, B72 1UP.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 18.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Sapcote Group Plc, which may be obtained from its registered office. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement, related party transactions and remuneration of key management personnel.

b. Going concern

The financial statements have been prepared using the going concern basis of accounting. See the directors report for the assessment of going concern by the directors.

c. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a reducing balance basis over its expected useful life, as follows:

Residual value is calculated on prices prevailing at the date of acquisition or revaluation

Plant and machinery 25% per annum

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

d. Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account.

LONDON & STRATEGIC ESTATES LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2016

e. Financial instruments

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

LONDON & STRATEGIC ESTATES LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2016

Financial instruments (continued)

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

f. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

g. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

LONDON & STRATEGIC ESTATES LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2016

g. Taxation (continued)

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

h. Turnover

Turnover is stated net of VAT and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Rental income from properties is credited to the profit and loss account on a straight line basis over the lease term. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year. A property sale is recognised once the sale is deemed certain. The sale is recognised on exchange of contracts where there is no onerous or uncertain conditions between exchange and completion.

i. Leases

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

j. 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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where 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.

LONDON & STRATEGIC ESTATES LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2016

k. Employee benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The directors have used their knowledge and experience to value the company's investment property at market value. The valuation of the property is done on a yield basis based on passing rents at the balance sheet date.

3. Turnover and revenue

Turnover was made solely within the UK and in connection with the company's principal activity, being the rentals received from freehold investment properties.

An analysis of the Company's turnover and revenue is as follows:

	2016	2015
	£	£
Rental income	5,489,747	5,141,498
Interest receivable	66,841	53,825
Profit on disposal of investment property	<u>19,068,145</u>	<u>865,202</u>

LONDON & STRATEGIC ESTATES LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2016

4. Finance costs (net)

	2016 £	2015 £
Interest payable and similar charges	87,282	462,711
Less: investment income	(66,841)	(53,825)
	<u>20,441</u>	<u>408,886</u>

Investment income

	2016 £	2015 £
Other interest receivable and similar income	66,841	53,825
	<u>66,841</u>	<u>53,825</u>

Interest payable and similar charges

	2016 £	2015 £
Bank loans and overdrafts	83,225	155,267
Director's loan	-	307,444
Other interest	4,057	-
	<u>87,282</u>	<u>462,711</u>

5. Operating profit

Operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets (note 9)	360,334	319,096
Loss of disposal of plant and machinery	537,590	865,202

6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual financial statements were £20,000 (2015: £18,500).

Fees payable to Deloitte LLP and their associates for tax compliance work and other tax services were £12,000 (2014: £12,000).

LONDON & STRATEGIC ESTATES LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2016

7. Staff numbers and costs

The directors are remunerated through William Sapcote Development Limited and Sapcote Group plc, and any work performed by the directors for London and Strategic Estates Limited is recharged by way of a management charge from William Sapcote Development Limited and Sapcote Group plc. London and Strategic Estates Limited has no other employees.

8. Tax on profit on ordinary activities

The tax charge comprises:

	2016 £	
Current tax on profit on ordinary activities		
UK corporation tax	5,562,830	3,632,871
Adjustments in respect of prior years	(188,034)	728
Total current tax	5,374,796	3,633,599
Deferred tax		
Origination and reversal of timing differences	(1,714,101)	(2,266,395)
Adjustments in respect of prior years	2,148	(13,174)
Effect of change in tax rates	68,329	107,925
Total deferred tax (see note 13)	(1,643,624)	(2,171,644)
Total tax on profit on ordinary activities	3,731,172	1,461,955

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2016 £	2015 £
Profit on ordinary activities before tax	21,780,274	7,877,656
Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2015: 21%)	4,356,055	1,654,308
Effects of:		
- Expenses not deductible for tax purposes	100,770	167,547
- Income not taxable in determining taxable profit	-	(332,615)
- Effects of capital gains	-	41,690
- Effects of the disposal of an asset	(513,927)	-
- Group relief not paid for	(27,441)	(46,667)
- Effect of change in tax rates re deferred taxation	1,601	(9,862)
- Adjustments to tax charge in respect of previous periods	(185,886)	(12,446)
Total tax charge for period	3,731,172	1,461,955

Factors that may affect the future tax charge.

In November 2015 the Government enacted the Finance (No. 2) Act 2015 which reduces the standard rate of corporation tax from its current level of 20% to 19% from 1 April 2017 and 18% from 1 April 2020. As these changes had been substantively enacted at the balance sheet date, the deferred tax assets and liabilities included within these financial statements have been calculated using these rates based on when the deferred tax timing differences are expected to materially reverse.

LONDON & STRATEGIC ESTATES LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2016

9. Tangible fixed assets

	Investment properties £	Plant and machinery £	Total £
Cost or valuation			
At 1 April 2015	77,776,128	5,136,004	82,912,132
Additions	6,068,901	966,721	7,035,622
Revaluations	703,144	-	703,144
Disposals	(15,133,415)	(3,757,389)	(18,890,804)
Transfers to group companies	(3,499,512)	-	(3,499,512)
At 31 March 2016	<u>65,915,246</u>	<u>2,345,336</u>	<u>68,260,582</u>
Depreciation			
At 1 April 2015	-	4,095,931	4,095,931
Charge for the year	-	360,334	360,334
Disposals	-	(3,221,359)	(3,221,359)
At 31 March 2016	<u>-</u>	<u>1,234,906</u>	<u>1,234,906</u>
Net book value			
At 31 March 2016	<u>65,915,246</u>	<u>1,110,430</u>	<u>67,025,676</u>
At 31 March 2015	<u>77,776,128</u>	<u>1,040,073</u>	<u>78,816,201</u>

There are no leased assets and no borrowing costs included in the cost of tangible fixed assets.

LONDON & STRATEGIC ESTATES LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2016

9. Tangible fixed assets (continued)

i. Investment properties

Investment properties, which are all freehold, were revalued to fair value at 31 March 2016, based on a valuation by a director who has experience in the location and class of the investment property being valued. The method of determining fair value was yield based. There are no restrictions on the realisability of investment property. Investment properties with a carrying amount of £40.2 million (2015: £60.2 million) have been pledged to secure borrowings of the Company.

Property rental income earned during the year was £5,489,747 (2015: £5,141,498). No contingent rents have been recognised as income in the current or prior year.

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

	2016 £	2015 £
Within one year	4,056,691	5,116,789
In the second to fifth years inclusive	12,653,242	12,959,415
After five years	14,178,894	14,266,968

If land and buildings had not been revalued they would have been included at the following amounts:

	2016 Investment properties £	2015 Investment properties £
Cost	59,170,268	59,983,286
Carrying value	59,170,268	59,983,286

10. Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	900,043	1,116,841
Amounts owed by associates	3,509,276	426,369
Other debtors	1,502,959	576,380
Prepayments and accrued income	491,288	491,603
	6,403,566	2,611,193
Amounts falling due after more than one year:		
Deferred tax (note 13)	614,969	-
	7,018,535	2,611,193

LONDON & STRATEGIC ESTATES LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2016

11. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	272,910	275,598
Amounts owed to group companies	11,098,820	12,279,893
Bank loans and overdrafts (see note 12)	-	64,800
Director's loans	19,553,811	19,677,906
Corporation tax	2,543,652	1,746,871
Other taxation and social security	1,459,784	1,459,862
Other creditors	1,118,375	1,125,898
Accruals and deferred income	6,870,283	7,104,715
	<u>42,917,635</u>	<u>43,735,543</u>

The director's loan is secured by way of a legal mortgage on certain of the freehold investment properties.

There is no fixed repayment schedule for the director's loan.

12. Creditors: amounts falling due after more than one year

	2016 £	2015 £
Bank loans	-	<u>2,811,000</u>

The bank loan in the prior year was secured on a freehold investment property with a carrying value of £15m. The loan was repaid during the year.

Borrowings are repayable as follows:

	2016 £	2015 £
Bank loans		
Between one and two years	-	64,800
Between two and five years	-	2,746,200
After five years	-	-
	<u>-</u>	<u>2,811,000</u>
On demand or within one year	-	64,800
	<u>-</u>	<u>2,875,800</u>

LONDON & STRATEGIC ESTATES LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2016

13. Provisions for liabilities

	Total £
At 1 April 2015	1,028,655
Credited to profit and loss account	(1,645,772)
Adjustment in respect of prior years	2,148
	<hr/>
At 31 March 2016	<u>(614,969)</u>

Deferred tax

Deferred tax is provided as follows:

	2016 £	2015 £
Fixed asset timing differences	695,912	2,488,263
Non trade loan relationship	(1,310,881)	(1,459,608)
	<hr/>	<hr/>
Provision for deferred tax	<u>(614,969)</u>	<u>1,028,655</u>

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Company.

14. Called-up share capital and reserves

	2016 £	2015 £
Allotted, called-up and fully-paid		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

The Company has one class of ordinary shares which carry no right to fixed income.

The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses, including realised gains on the disposal of investment properties, net of dividends paid and other adjustments.

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings which are revalued to fair value at each reporting date through the profit and loss account. The unrealised profit is then transferred to the revaluation reserve which is an unrealised profit reserve.

15. Financial commitments

There were no capital commitments at 31 March 2016 (2015: £Nil).

LONDON & STRATEGIC ESTATES LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2016

16. Related party transactions

In accordance with Financial Reporting Standard 102 section 33 "Related Party Disclosures", the company has not disclosed transactions with other wholly owned group companies as its results are consolidated into the financial statements of the ultimate parent company which are publicly available.

Directors' transactions

Loans from a director:

Included in note 11, is a loan amount of £19,553,811 (2015: £19,677,906), plus interest accrued of £7,245,136 (2015: £7,245,136), due to Mr S W Sapcote, a director and the ultimate controlling party. The loan now carries a nil interest charge reviewable annually on 31 March and is repayable at 30 days notice. The interest accrual of £7,245,136 (2015: £7,245,136) is included within accruals and deferred income, and other taxation and social security.

Guarantee:

The bank holds an omnibus letter of set-off, dated 18 July 1994, between London and Strategic Estates Limited and other group companies. The net balance at 31 March 2016 subject to set-off was £Nil (2015: £Nil).

Other related party transactions

Included within other creditors is a balance owed to Signalgrange Limited £582,228 (2015: £640,334). The balance has accrued as a result of normal business transactions and has no effect on the profit & loss account. The business is wholly owned by Mr S W Sapcote.

17. Parent undertaking and controlling party

Sapcote Group plc, which is registered in England and Wales, was the company's parent and ultimate parent undertaking at 31 March 2016.

Mr. Stuart Sapcote, a director of the Company, controls the Company as a result of controlling, directly or indirectly, 100 per cent of the issued share capital of the Company.

LONDON & STRATEGIC ESTATES LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2016

18. Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 March 2015 and the date of transition to FRS 102 was therefore 1 April 2015. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

Reconciliation of equity:

	Company £
Equity reported under previous UK GAAP as at 31 March 2014	38,424,848
<i>Deferred taxation on previous revaluations of investment properties</i>	(4,261,919)
Equity reported under FRS 102 as at 31 March 2014	34,162,929
Equity reported under previous UK GAAP as at 31 March 2015	42,880,396
<i>Deferred taxation on previous revaluations of investment properties as above</i>	(4,261,919)
<i>Deferred tax credit relating to the revaluation of investment properties</i>	1,960,153
Equity reported under FRS 102 as at 31 March 2015	40,578,630

Reconciliation of profit or loss for 2015

	Company £
Profit for the financial year under previous UK GAAP for the Year ended 31 March 2015	26,246
<i>Gains on revaluation of investment properties recognised in the year</i>	4,429,302
<i>Deferred tax credit relating to the revaluation of investment properties</i>	1,960,153
Profit for the financial year under FRS 102	6,415,701