The Office (King's Cross) Limited

Report and financial statements

Year ended

31 December 2014

Company Number 5199985

The Office (King's Cross) Limited

Report and financial statements
for the year ended 31 December 2014

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Country of incorporation of parent company

United Kingdom

Legal form

Limited Company

Directors

O Olsen
C Green
C Dorfman

Registered office

22 Manchester Square, London, W1U 3PT

Company number

5199985

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

The Office (King's Cross) Limited

Report of the directors
for the year ended 31 December 2014

The directors present their report together with the audited financial statements for the year ended 31 December 2014.

Directors

The directors of the company throughout the year were:

O Olsen
C Green
C Dorfman

Change in accounting framework

The company has adopted FRS 101 "Reduced Disclosure Framework" for the first time this year. In previous years, the company has applied applicable UK accounting standards. The impact of this change is described in note 16.

Principal activity, review of business and future developments

The principal activity of the company is that of provider of flexible office space and related services.

The directors were pleased with the performance of this building. The Office (Kings Cross) Limited traded well throughout 2014, maintaining strong occupancy and license fee levels until the building was sold in July 2014.

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS 101 "Reduced Disclosure Framework" ("FRS 101") and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Statement as to disclosure of information to the auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

BDO LLP have expressed their willingness to continue in office.

This report has been prepared in accordance with the special provisions within Part 15 of the Companies Act 2006 applicable to companies entitled to the small companies exemption.

Approval

This directors' report was approved by order of the Board on 30 June 2015

C Green

Director

TO THE MEMBERS OF THE OFFICE (KING'S CROSS) LIMITED

We have audited the financial statements of The Office (King's Cross) Limited for the year ended 31 December 2014 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. 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 statement of directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 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 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.

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 prepare the financial statements and the directors' report in accordance with the small companies' regime and to the exemption from the requirement to prepare a strategic report.

BDO LLP

Alexander Tapp (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

30 June 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

The Office (King's Cross) Limited

Statement of comprehensive income
for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Turnover	3	**446**	789
Administrative expenses		**(255)**	(611)
Revaluation of investment property		**-**	550
EBITDA		**204**	754
Depreciation		**(13)**	(26)
Profit from discontinued operations	4	**191**	728
Gain on disposal of investment property		**1,884**	-
Profit on ordinary activities before taxation		**2,075**	728
Taxation on profit on ordinary activities	7	**305**	(133)
Profit on ordinary activities after taxation and total comprehensive income for the financial year		**2,380**	595

The profit for the year comes from operations which have been discontinued.

The notes on pages 8 to 19 form part of these financial statements.

The Office (King's Cross) Limited

Statement of financial position
at 31 December 2014

Company number 5199985

	Note	31 December 2014 £'000	31 December 2014 £'000	31 December 2013 £'000	31 December 2013 £'000	1 January 2013 £'000	1 January 2013 £'000
Fixed assets							
Tangible assets	8		-		4,295		3,742
Current assets							
Debtors - due within one year	9	**7,273**		3,960		2,706	
Cash at bank and in hand		**4,174**		362		302	
		11,447		4,322		3,008	
Creditors: amounts falling due within one year	10	**(6,071)**		(5,315)		(4,146)	
Net current assets/(liabilities)			**5,376**		(993)		(1,138)
Total assets less current liabilities			**5,376**		3,302		2,604
Provisions for liabilities	11		-		(306)		(203)
Net assets			**5,376**		2,996		2,401
Capital and reserves							
Share capital	12		**1,208**		1,208		1,208
Retained earnings			**4,168**		1,788		1,193
Shareholders' funds			**5,376**		2,996		2,401

These financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements on pages 5 to 19 were approved and authorised for issue by the Board of Directors on 30 June 2015 and were signed on its behalf by:

C Green
Director

The notes on pages 8 to 19 form part of these financial statements.

The Office (King's Cross) Limited

Statement of changes in equity
for the year ended 31 December 2014

	Share capital £'000	Retained earnings £'000	Total £'000
1 January 2013	1,208	1,193	2,401
Comprehensive income for the year			
Profit for the year	-	595	595
At 31 December 2013	1,208	1,788	2,996
Comprehensive income for the year			
Profit for the year	-	2,380	2,380
At 31 December 2014	**1,208**	**4,168**	**5,376**

The notes on pages 8 to 19 form part of these financial statements.

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 *Application of Financial Reporting Requirements* and Financial Reporting Standard 101 *Reduced Disclosure Framework* which have both been applied early. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for the revaluation of certain properties and financial instruments. The presentation currency used is sterling and amounts have been presented in round thousands ("£000s").

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Esselco (2014) Limited.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Esselco (2014) Limited. These financial statements do not include certain disclosures in respect of:

- Financial Instruments (other than certain disclosures required as a result of recording financial instruments at fair value); and
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

The financial statements of Esselco (2014) Limited can be obtained as described in note 15.

Judgements and key areas of estimation uncertainty

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the company's directors to exercise judgment in applying the company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

First time application of FRS 100 and 101

In the current year the company has early adopted FRS 100 and FRS 101. In previous years the financial statements were prepared in accordance with applicable UK accounting standards.

This change in the basis of preparation has materially altered the recognition and measurement requirements previously applied in accordance with UK accounting standards. An explanation of the impact of the adoption of FRS 100 and FRS 101 for the first time is included in note 16.

There have been no other material amendments to the disclosure requirements previously applied in accordance with UK accounting standards.

1 Accounting policies *(continued)*

Going concern

The ability of the company to continue as a going concern is dependent upon the continued support of the company's parent company and the facilities made available to the parent company by its bankers and one of its shareholders.

The directors of the company's indirect parent, Esselco Office Limited, have confirmed that Esselco Office Limited will provide sufficient support to allow the company to pays its debts as they fall due.

The parent company's bank facilities are based upon certain bank covenants, one of which relies upon a loan to property value ratio, being met. Based upon the valuations of the properties held by the parent company and it's fellow subsidiary undertakings ("the group") at the reporting date, as prepared by the directors of those companies, this lending covenant has been met.

The directors are confident that the company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, they consider that is appropriate to adopt the going concern basis in preparing the financial statements.

Tangible assets

Tangible assets are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rate:

Fixtures, fittings and equipment - 20% on cost

Previously depreciation was calculated at 25% straight line on cost for fixtures, fittings and equipment. During the year the directors reassessed the useful life of assets held within these categories and revised the policy as stated. The impact of changing the accounting estimate was immaterial.

Investment property

The company applies the fair value accounting model to investment property. Investment property comprises property held by the company for the purpose of earning rental income and/or capital appreciation (including investment property under construction). Investment property is stated at fair value at the reporting date with changes in fair value being recognised in profit or loss.

The company does not classify any property held on an operating lease as investment property.

Financial assets

The company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The company has not classified any of its financial assets as held to maturity.

Other than financial assets in a qualifying hedging relationship, the company's accounting policy for each category is as follows:

1 Accounting policies *(continued)*

Fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income in the finance income or expense line. The company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairments.

Impairment provisions are recognised when there is objective evidence that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale They are carried at fair value with changes in fair value, other than those arising due to exchange rate fluctuations, impairments and interest calculated using the effective interest rate, recognised in other comprehensive income and accumulated in the available-for-sale reserve. Exchange differences on investments denominated in a foreign currency, impairment, and interest calculated using the effective interest rate method are recognised in profit or loss.

On sale, the cumulative gain or loss recognised in other comprehensive income is reclassified from the available-for-sale reserve to profit or loss.

Financial liabilities

The company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

1 Accounting policies *(continued)*

Fair value through profit or loss

Financial liabilities are classified as fair value through profit or loss where the liability is either held for trading or is designated as held at fair value through profit or loss on initial recognition. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. The company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items:

- Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premia payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

- Loans from group companies are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method. The difference between the fair value of the loan on initial recognition and the amount of the proceeds is credited directly to equity as a capital contribution.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Leased assets

All leases entered into by the company are operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Lease incentives are capitalised and spread over the period of the lease term.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill; and
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

1 Accounting policies *(continued)*

Deferred taxation (continued)

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax arising as a consequence of investment property carried at fair value is calculated on the basis that the gain/(loss) will be recovered through a sale of the property in line with the company's business model which is to generate value in the form of capital appreciation.

Turnover

Turnover comprises rent and license fees in relation to the provision of office space, as well as ancillary charges for additional services including telephone, IT, other support services and meeting rooms. Turnover is recognised exclusive of VAT and is recognised on an accruals basis.

Rent receivable is spread on a straight-line basis over the period of the lease.

Borrowing costs

Interest incurred on group borrowings used to fund the construction or production of an asset that necessarily takes a substantial amount of time to get ready for intended use are capitalised as part of the cost of that asset, net of interest received on cash drawn down yet to be expended. The company does not incur any other interest costs that qualify for capitalisation.

2 Critical accounting estimates and judgements

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Investment property valuation

Investment properties are properties owned by the company that are held either to earn rental income or for capital appreciation or both.

Investment property is received initially at cost, including related transaction costs. After initial recognition, investment property are held at fair value based on a valuation provided by the directors at each reporting date.

The valuation is based upon the key assumption of estimated rental values and market based yields. In determining fair value, the directors make reference to market evidence and recent transaction prices for similar properties. Details of the valuation methodology and by assumption are given in note 8.

3 Turnover

Turnover, all of which is generated in the UK, arises from:

	2014 £'000	2013 £'000
License fees and rental income	343	629
Other services income	103	160
	446	789

4 Profit from discontinued operations

	2014 £'000	2013 £'000
Depreciation of tangible assets	13	26

5 Auditor remuneration

The audit fee is borne by another group entity.

6 Employees and directors

The company had no employees in the year except for its directors who did not receive any remuneration in the year (2013 - £Nil).

7 Tax expense

	2014 £'000	2013 £'000
Total current tax expense		
Current tax on profits for the year	-	30
Adjustment for under provision in prior periods	1	-
Total deferred tax expense		
Origination and reversal of temporary differences (note 11)	(292)	120
Changes to tax rates	(14)	(18)
Recognition of previously unrecognised deferred tax assets	-	1
	(306)	103
Total tax expense	(305)	133

7 Tax expense *(continued)*

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2014 £'000	2013 £'000
Profit before income taxes	**2,075**	728
Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 21.5% (2013 - 23.25%)	**446**	169
Expenses not deductible for tax purposes	**-**	19
Fixed asset differences	**(477)**	-
Chargeable gains	**178**	-
Group relief	**(460)**	(25)
Change in rates of deferred tax	**8**	(30)
Total tax expense	**(305)**	133

Changes to corporation tax rates

During the year the UK corporation tax rate was reduced from 23% to 21%. Deferred tax that is expected to reverse in future periods has been calculated using rates that were substantively enacted at 31 December 2014.

8 Tangible assets

	Investment property £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation			
Balance at 1 January 2014	4,250	288	4,538
Additions	-	-	-
Disposals	(4,250)	(288)	(4,538)
Balance at 31 December 2014	-	-	-
Accumulated depreciation			
Balance at 1 January 2014	-	243	243
Depreciation charge for the year	-	13	13
Disposals	-	(256)	(256)
Balance at 31 December 2014	-	-	-
Net book value			
At 31 December 2014	-	-	-
At 31 December 2013	4,250	45	4,295

8 Tangible assets *(continued)*

The difference between the historical cost amount and balance sheet amount of investment property was £Nil (2013 - £1,165,000).

During the year £446,000 (2013 - £789,000) was recognised in the statement of comprehensive income in relation to rental income from the investment properties. Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to £255,000 (2013 - £611,000).

9 Debtors

	2014 £'000	2013 £'000
Debtors due within one year:		
Trade debtors	-	4
Amounts owed by group undertakings	7,269	3,919
Other debtors	4	1
Prepayments and accrued income	-	36
	7,273	3,960

10 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	1	9
Amounts owed to group undertakings	5,937	4,667
Corporation tax	24	30
Taxation and social security	-	341
Other creditors	34	173
Accruals and deferred income	75	95
	6,071	5,315

11 Provisions for liabilities

Deferred tax

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered. Details of the deferred tax liability, amounts recognised in profit or loss and amounts recognised in other comprehensive income are as follows:

	2014 £'000	2013 £'000
Accelerated capital allowances	-	59
Capital gain	-	245
Other timing differences	-	2
	-	306

	2014 £'000	2013 £'000
Provision at 1 January	306	203
Deferred tax charged to profit and loss	(306)	103
Provision at end of period	-	306

12 Share capital

	Allotted, called up and fully paid			
	2014 Number	2014 £'000	2013 Number	2013 £'000
'A' ordinary shares of £1 each	131,026	131,026	131,026	131,026
'B' ordinary shares of £1 each	438,650	438,650	438,650	438,650
Deferred shares of £1 each	638,480	638,480	638,480	438,480

The 'A' and 'B' ordinary shares rank pari passu except that the 'B' shares rank in priority on a winding up of the company.

The deferred shares were converted from preference shares on 18 June 2008 and carry no voting rights or rights to dividends.

13 Contingent liability

All assets of The Office (King's Cross) Limited have been pledged as security for a group bank loan held by Esselco Office Limited. At 31 December 2014 the group bank loan was £56,344,000 (2013 - £39,940,000).

14 Related party transactions

The company is related to Esselco Services LLP by virtue of being under common control. During the year, the company incurred expenses of £1,552 on behalf of Esselco Services LLP (2013 - £65) and at the reporting date, £2,324 (2013 - £771) was owed by the company.

The company is related to Esselco Office Limited by virtue of being under common control. At the accounting date, £2,220,000 was owed to the company.

15 Ultimate parent company and control

The immediate parent company is The Office Group Holdings Limited, a company incorporated and registered in the UK. At 31 December 2014 the company's ultimate parent company was Esselco (2014) Limited, incorporated and registered in the United Kingdom.

Copies of the group financial statements of Esselco (2014) Limited available on request from the company's registered office.

16 First time adoption of FRS 101 Reduced Disclosure Framework

First time adoption of FRS 101 Reduced Disclosure Framework

This is the first time that the company has adopted FRS 101 having previously applied applicable UK accounting standards.

The date of transition to FRS 101 was 1 January 2013.

In applying FRS 101 for the first time the company has made the following elections:

- To retain the carrying amounts of property, plant and equipment at the previous carrying amounts under applicable UK accounting standards

Effect of first time adoption of FRS 101 Reduced Disclosure Framework having previously applied applicable UK accounting standards

The following tables summarise the effects on the company's equity and total comprehensive income of applying FRS 101 for the first time.

Reconciliation of equity at 1 January 2013	**£'000**
Shareholders' funds as reported previously in accordance with applicable UK accounting standards	2,543
Transition adjustments	
1) Deferred tax	(142)
Shareholders' funds as reported in accordance with FRS 101	2,401

Reconciliation of equity at 31 December 2013	**£'000**
Shareholders' funds as reported previously in accordance with applicable UK accounting standards	3,241
Transition adjustments	
1) Deferred tax	(245)
Shareholders' funds as reported in accordance with FRS 101	2,996

Reconciliation of total comprehensive income for the year ended 31 December 2013	**£'000**
Profit for the year as previously in accordance with applicable UK accounting standards	148
Transition adjustments	
1) Investment Property	550
2) Deferred tax	(103)
Profit as reported in accordance with FRS 101	595

16 First time adoption FRS 101 Reduced Disclosure Framework *(continued)*

The adjustments arising on transition from applicable UK accounting standards to FRS 101 for the first time are explained as follows:

1) **Investment Property**
Under applicable UK accounting standards the company reflected investment property at open market value. Changes in open market value (unless presenting a permanent diminution in value) were reflected in statement of recognised gains and losses and accumulated in the investment property revaluation reserve).

In accordance with FRS 101 *(by virtue of IAS 40 Investment Property)* Investment Property is included on the statement of financial position at fair value with changes in fair value being reflected in profit or loss.

2) **Deferred tax**
Under applicable UK accounting standards the company did not provide for any deferred tax on revalued property or deferred tax on fair value adjustments to property unless there was a binding agreement in place at the reporting date to sell the particular property.

In accordance with FRS 101 (by virtue of IAS 12 *Income Taxes)* the company is required to include a deferred tax liability as a consequence of property revaluations.

The disclosure exemptions adopted are included in note 1 to the financial statements.