Greater London Authority Holdings Limited

Annual Report and Financial Statements

1 April 2019 to 31 March 2020

AUDITED

Registered Office
5 Endeavour Square
London, E20 1JN
Registered in England and Wales
07923665

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Directors' Report

Introduction

The directors present their report on the affairs of Greater London Authority Holdings Limited (the Company), (registration number 07923665), and its subsidiaries GLA Land and Property Limited (GLAP), London Treasury Limited (LTL) and London Power Co. Limited (LPC) and the group unaudited financial statements for the accounting period of 1 April 2019 to 31 March 2020 (accounting period). On materiality grounds LTL and LPC have not been consolidated in the *Greater London Authority Holdings Limited's group accounts. The results of LTL and LPC are* disclosed in Note 29. On 19 July 2019, Greater London Authority Holdings Limited established LPC and is the sole shareholder, holding one £1 share

The Group and parent company's financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Principal activities

The principal activities of the Group are:

GLAP - the purchase, sale and development of land or property, and the holding of land or property for capital growth or rental.

LTL - the provision of fund management services to the Greater London Authority, its Functional Bodies (excluding Transport for London) and to London Boroughs.

LPC - the provision of energy services to Londoners, in partnership with Octopus Energy Limited.

Share capital

The Company had one share in issue at 1 April 2019 and 31 March 2020 and this is held by the Greater London Authority.

Articles of Association

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

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

Directors' Report

Directors

The directors who served during the accounting period were:

Mr David Gallie (appointed on 31 March 2020)
Mr David Lunts
Mr David Bellamy
Mr Martin Clarke (resigned on 31 March 2020)

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

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

Directors' indemnities

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

Shareholders

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

Employees

Staff employed by the Greater London Authority and Transport for London (TfL) perform duties on behalf of GLAP and LPC and their time and related overheads are recharged to the respective entities at cost. LTL has directly employed staff.

Charitable and political donations

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

Independent auditors and disclosure of information to the auditors

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

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

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

Directors' Report

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

D. Gallie

David Gallie
Director

8 March 2021

Strategic Report

The Group, through GLAP, inherited 635 hectares of land in April 2012 with a value at that time of £365m. All of the land inherited has now either been developed, is in the course of development or is contractually committed for development. This is with the aim of encouraging investment, creating jobs and helping meet London's housing needs, particularly the provision of affordable housing

The most significant single development site that GLAP owns is Greenwich Peninsula which, in recognition of the level of national investment in the site, is subject to a receipt-sharing agreement with the Ministry for Housing, Communities and Local Government (MHCLG) and the Big Lottery Fund. GLAP has a development agreement with Knight Dragon Development Limited (a Chinese owned company) for the Peninsula. A hybrid planning application for the 2020 Masterplan is being considered by the Local Planning Authority, which seeks to increase the number of homes on the Peninsula by 1,757 to total 17,486 homes, amongst other changes it also increases the proportion of affordable housing. It is expected that the development will create 12,451 jobs. To date 2,572 homes have been completed.

Master Development Agreements are in place for all three major sites in the Royal Docks:

Silvertown Quays: GLAP is in contract with The Silvertown Partnership (TSP). During 18/19 TSP underwent a corporate restructure to bring in new funding and delivery partners Lend Lease and Starwood Capital. TSP secured detailed planning consent in December 2019 for a first phase development of commercial space and circa 1,000 new homes;

Royal Albert Dock: GLAP is in contract with development partner ABP (London) Investment Limited – a major Chinese developer – to develop this site primarily for business use and some ancillary residential accommodation. Planning consent was granted in December 2015 for a circa 4.7m square feet development. Construction of the first phase (circa 600,000 square feet) was completed on 11 April 2019; and

Albert Island: GLAP's development partner, London and Regional, have submitted a planning application for the comprehensive redevelopment of the site to deliver employment space, including a new commercial boatyard. A planning decision is likely in Autumn 2020.

GLAP is in a joint venture with L&Q to deliver Barking Riverside, in the London Borough of Barking & Dagenham. The scheme will deliver 10,800 homes, new schools, commercial and culture space. To date 1,266 homes have been delivered and a further 300 homes started on site in 19/20. The new Barking Riverside station, an extension of the London Overground, is scheduled to open in 2021.

During 2019/20, Segro, the development partner on the East+ sites, completed a further 89,260 square feet of mixed tenure industrial space, in east London, bringing the total completed to date to nearly 669,260 square feet. In addition, a total of 106,470 square feet of industrial space was started on the East+ sites and is under construction.

In 2017 the Mayor established the Land Fund to acquire land and prepare land for new and affordable housing, £250m of which will be funded by the sale of GLAP land and assets. It is intended that the funding will recycle over time to continue unlocking opportunities across the capital. The purpose of the fund is to have a more interventionist approach in London's land market, with the aims of: building more social rented and other genuinely affordable homes;

accelerating the speed of building, and capturing value uplift for public benefit. The fund made several investments in 2019/20 including agreeing to invest in the delivery of a new train station at Beam Park, London Borough of Havering, from the GLAP element of the fund, which will enable the development of thousands of new homes in the area.

During 2019/20 GLAP made a profit after tax of £6m, this comprises

	£m
Profit on property disposals	52
Siemens early lease surrender	11
Overage income	24
Financing income	16
Write down of inventory	-33
Inducement pmt to LUL	-25
Financing costs	-20
Write down of Investment Prop	-3
Loan impairment and fair value adj.	-6
Other (net administrative costs, rental income, et al)	-6
Tax	-4
Net profit	**6**

The principal risks and uncertainties facing GLAP relate to the state of the economy in general, with London in particular, and continuing challenges in the housing market especially as a result of COVID-19, which is likely to have an impact in the short, medium and long term.

The Company acquired London Treasury Limited in August 2018, LTL is the fund manager for the Greater London Authority, its Functional Bodies (excluding Transport for London) and to London Boroughs. LTL has not been consolidated in the Group accounts as the turnover and net assets are not material to the Group.

In July 2019, the Company established London Power Co. Limited, to provide energy services to Londoners. LPC has not been consolidated in the Group accounts as the turnover and net assets are not material to the Group.

David Gallie
Director

8 March 2021

Statement of Directors' Responsibilities

In respect of the Directors' Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. They have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.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 Group and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

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

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

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

Opinion

We have audited the financial statements of Greater London Authority Holdings Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 March 2020 and of the group's and parent company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst + Young LLP

Andrew Brittain (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

8 March 2021

Consolidated Statement of Comprehensive Income

For the year ended		31 March 2020		31 March 2019	
	Notes	£000	£000	£000	£000
Continuing operations					
Income from property disposals		(55,937)		(7,312)	
less Greenwich Peninsula disposal proceeds shared with third parties	4	1,106		344	
Rental and other property income		(29,368)	(84,199)	(8,867)	(15,835)
Cost of sales	5,17	36,848		25,471	
Estate management costs	5	12,105	48,953	10,191	35,662
Gross (profit) / loss			**(35,246)**		**19,827**
Professional fees and other costs	5		1,678		2,712
Developer costs	5		25,393		-
Administrative expenses	5		10,727		9,048
Overage payable			245		3,684
Contributions payable			43		171
Other expenses	6,8		6,136		(904)
(Profit) /loss from operations			**8,976**		**34,538**
Net (increase)/decrease in fair value of investment property	11		2,757		(4,825)
Other income	7		(25,506)		(48)
Finance income	8		(15,752)		(9,901)
Finance costs	8		19,735		14,672
(Profit)/loss before tax			**(9,790)**		**34,436**
Tax	16		3,516		(1,906)
(Profit)/loss for the period			**(6,274)**		**32,530**
Other comprehensive (income)/expense:					
Items that will never be reclassified to profit and loss					
Revaluation of property, plant and equipment			(3,928)		(3,249)
Deferred tax on revalued property, plant and equipment	16		208		(5)
Other comprehensive (income)/expense, net of tax			**(3,720)**		**(3,254)**
Total comprehensive (income)/expense recognised for the period			**(9,994)**		**29,276**

Consolidated Statement of Financial Position

as at	Note	Company 31 March 2020 £000	Group 31 March 2020 £000	Company 31 March 2019 £000	Group 31 March 2019 £000
Non-current assets					
Property, plant and equipment	10	-	21,180	-	21,415
Investment property	11	-	76,482	-	76,883
Loan investments - Non Current	12	-	367,836	-	274,942
Equity Investments		125	127	125	126
Equity Mortgages	13	-	34,934	-	37,587
Finance lease receivables - Non Current	14	-	76,794	-	82,019
Trade and other receivables - Non Current	15	-	51	-	51
Total Non-current assets		**125**	**577,404**	**125**	**493,023**
Current assets					
Inventories	17	-	212,264	-	246,544
Loan investments - Current		-	3,162	-	577
Finance lease receivables - Current	14	-	60,751	-	16,662
Trade and other receivables - Current	15	-	37,374	-	19,923
Cash and cash equivalents	18	-	8,202	-	34,924
Total current assets		**-**	**321,753**	**-**	**318,630**
Total assets		**125**	**899,157**	**125**	**811,653**
Current liabilities					
Borrowings and overdrafts - Current	21,22	-	(323,506)	-	(253,001)
Trade and other payables - Current	19	-	(32,080)	-	(22,823)
Finance lease liabilities - Current	20	-	(1,055)	-	(1)
Provisions - Current	23	-	(145)	-	(895)
Total current liabilities		**-**	**(356,786)**	**-**	**(276,720)**
Non-current liabilities					
Borrowings - Non Current	21,22	-	(265,000)	-	(285,000)
Trade and other payables - Non Current	19	(125)	(30,445)	(125)	(12,047)
Finance lease liabilities - Non Current	20	-	(8,259)	-	(37)
Provisions - Non Current	23	-	(1,774)	-	(1,774)
Deferred tax liability	16	-	(11,733)	-	(10,617)
Total non-current liabilities		**(125)**	**(317,211)**	**(125)**	**(309,475)**
Total liabilities		**(125)**	**(673,997)**	**(125)**	**(586,195)**
Net assets			**225,160**		**225,458**
Equity					
Revaluation reserve	27	-	(32,206)	-	(28,486)
Pooling of interests reserve	27	-	(120,745)	-	(120,745)
Retained earnings		-	(72,209)	-	(76,227)
Total equity		**-**	**(225,160)**	**-**	**(225,458)**

The Company has issued one £1 share which is held by the Greater London Authority, holds a £1 investment in GLA Land and Property Limited, a £1 investment in London Power Co. Limited and a £125,000 investment in London Treasury Limited.

The financial statements were approved by the Board and authorised for issue on 8 March 2021. The financial statements also comprise the notes on pages 17 to 61.

D. Gallie

David Gallie
Director

Consolidated Statement of Changes in Equity

as at 31 March 2020

	Note	Share capital £000	Pooling of interests reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
At 1 April 2019		-	(120,745)	(28,486)	(76,227)	(225,458)
Adjustment on the adoption of IFRS 16 Leases	2	-	-	-	10,292	10,292
At 1 April 2019 restated		-	(120,745)	(28,486)	(65,935)	(215,166)
(Profit)/loss for the year before tax		-	-	-	(9,790)	(9,790)
Revaluation of property, plant and equipment	10	-	-	(3,928)	-	(3,928)
Tax on items above	16	-	-	208	3,516	3,724
Total comprehensive (income)/expense recognised in year		-	-	(3,720)	(6,274)	(9,994)
Issue of shares		-	-	-	-	-
At 31 March 2020		-	(120,745)	(32,206)	(72,209)	(225,160)

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

Consolidated Statement of Changes in Equity

as at 31 March 2019

	Note	Share capital £000	Pooling of interests reserve £000	Fair Value reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
At 1 April 2018		-	(120,745)	(23,734)	(25,232)	(85,517)	(255,228)
Adjustments for the restatement of financial instruments	2	-	-	23,734	-	(23,240)	494
At 1 April 2018 restated			(120,745)	-	(25,232)	(108,757)	(254,734)
(Profit)/ loss for the year			-	-	-	34,436	34,436
Revaluation of property, plant and equipment	10	-	-	-	(3,249)	-	(3,249)
Tax on items above	16	-	-	-	(5)	(1,906)	(1,911)
Total comprehensive (income)/ expense recognised in year		-	-	-	(3,254)	32,530	29,276
Issue of shares		-	-	-	-	-	-
At 31 March 2019		-	(120,745)	-	(28,486)	(76,227)	(225,458)

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

Consolidated Statement of Cash Flows

For the period ended 31 March	Notes	2020 £000	2019 £000
(Profit)/loss for the year		(6,274)	32,530
Adjustments to profit or loss for non-cash movements	26	(14,077)	(49,125)
Adjustments for items included in the profit or loss that are investing and financing activities	26	58	(375)
Net cash flows from Operating Activities		**(20,293)**	**(16,970)**
Investing Activities	26	91,497	154,850
Financing Activities		(44,482)	(145,811)
Net (increase) or decrease in cash and cash equivalents		**26,722**	**(7,931)**
Cash and cash equivalents at the beginning of the reporting period		(34,924)	(26,993)
Cash and cash equivalents at the end of the reporting period	18	**(8,202)**	**(34,924)**

Notes to the Financial Statements

1. Reporting entity

Greater London Authority Holdings Limited (the Company) is a company domiciled in the United Kingdom. The Company's registration number is 07923665 and its registered office is 5 Endeavour Square, London, E20 1JN.

2. Changes in accounting policies and prior period adjustments

IFRS 16 Leases

IFRS 16 Leases was adopted by the Group on 1 April 2019. The standard applies a single recognition and measurement approach for all applicable leases under which the Group is the lessee. The Group has property lease contracts.

Before the adoption of IFRS 16, leases in which substantially all the risks and rewards of ownership were retained by the lessor were classified as operating leases; all other leases were classified as finance leases. Under the previous standard, IAS 17, lease payments on operating leases were recognised as rental costs in the Statement of Comprehensive Income.

Under IFRS 16, for any lease where the Group is a lessee, the Group recognises a right-of-use asset and a lease liability in the Consolidated Statement of Financial Position. The Statement of Comprehensive Income includes depreciation in relation to the right-of-use assets and a finance charge in relation to the lease liabilities.

Lessor accounting is substantially unchanged under IFRS 16, except for sub-leases previously classified as operating leases. These leases have been re-assessed as to whether they are operating or financing in nature, using the requirements of IFRS 16.

The transition to IFRS 16 for the Group took place on 1 April 2019 and the Group has opted to adopt the standard retrospectively with the cumulative effect of initially applying the standard recognised on 1 April 2019 as an adjustment to retained earnings. The preceding year's information will not be restated.

On transition the Group elected to use the practical expedient allowing the standard to be applied only to contracts that were previously identified as leases when applying IAS 17 at the date of initial application. The Group has also elected to not apply the recognition requirements to:

a) Short-term leases; and
b) Leases for which the underlying asset is of less than £5,000.

The main impact on the financial statements on the adoption of IFRS 16 is set out in the table below and relates to the change in the accounting treatment of the Greenwich Peninsula Car Park lease (GLAP as lessee). The car park is leased in from Transport for London on a 21-year

Notes to the Financial Statements

lease at £1.4m per annum and leased out on 21-year sub-lease to Ansco Arena Ltd at a peppercorn rent. This lease was previously accounted for as an operating lease.

Impact on the consolidated income statement

	2019/20
	£000
Continuing operations	
Estate management costs	(1,379)
Gross (profit) / loss	(1,379)
Finance costs	363
(Profit)/loss before tax	(1,016)
Tax	40
(Profit)/loss for the period	(976)

Impact on the consolidated income statement

	31 March 2020 £000
Current liabilities	
Trade and other payables - Current	(40)
Finance lease liabilities - Current	(1,054)
Total current liabilities	**(1,094)**
Non-current liabilities	
Finance lease liabilities - Non Current	(8,223)
Total non-current liabilities	**(8,223)**
Total liabilities	**(9,317)**
Equity	
Retained earnings	9,317
Total equity	**9,317**

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 Uncertainty over Income Tax Treatments has become effective for the Group from the period beginning 1 April 2019. The interpretation covers how the Group accounts for taxation, where there is some uncertainty over whether treatments in the tax return will be accepted by HM Revenue & Customs.

Each uncertain treatment (or combination of treatments) is considered for whether it will be accepted, and if probable, taxable profits/losses, tax bases, unused tax losses, unused tax credits and tax rates are accounted for consistently with the tax return. The Group accounts for each treatment using whichever of the two allowed measurement methods is expected to best predict the final outcome – the single most likely outcome or a probability weighted-average value of a range of possible outcomes.

In previous periods the Group adopted a prudent approach to uncertain tax treatments and a provision was created in 2017/18 for certain items, and equity mortgages in particular. See

Note 23 Provisions, for further details. The introduction of IFRIC 23 has therefore not resulted in any material adjustment to the 2019/20 financial statements.

3. Statement of accounting policies
This section explains the Group's main accounting policies.

a) Basis of preparation

Statement of compliance
The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The unaudited financial statements were authorised for issue by the Board of Directors on 11 August 2020 and the audited accounts were signed off by David Gallie, Director, on 8 March 2021 on behalf of the Board.

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

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

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

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

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

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

Notes to the Financial Statements

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

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

Impact of COVID-19 on valuations - Property and Financial Instruments
The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a global pandemic on 11 March 2020, has impacted global financial markets and is on-going at the time of preparing these financial statements. The level of uncertainty in the economy is currently at an all-time high with the trajectory of the recovery difficult to forecast.

Market activity is being impacted in many sectors and the resultant uncertainty has had an impact on the valuation of property and financial instruments held at fair value.

Due to the unknowns around the COVID-19 pandemic and the inability at present to demonstrate movement in the property market in either direction, the valuations do not reflect any COVID-19 impacts and are informed by a reasonable amount of comparable evidence. This applies to the property values reported in Note 11 Investment Property and Note 17 Inventories as at 31 March 2020. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case.

Given the unknown future impact that COVID-19 might have on the real estate market, the Group will keep the valuations under review and will update the financial statements, if quantifiable, for any significant movements prior to the Directors signing off the accounts.

The above-mentioned uncertainty, and the need for a higher degree of caution applies equally to the value of and the reliance placed on the value of the Group's financial instruments held at fair value through profit and loss. This comprises the Real Lettings Property Fund investment and equity mortgages which are property backed investments. See Note 21 Financial Instruments for the carrying value of these at 31 March 2020

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

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

Notes to the Financial Statements

- Comparison method – used when there is market evidence of land sale prices for sites with broadly similar development characteristics. Adjustments are then made for timing of the comparable transaction, size of the site, location, ground conditions and planning;
- Residual method - the valuers assess the gross development value of an assumed completed scheme and make deductions of the estimated future costs of development (including developer's profit, remediation costs and finance) to arrive at the underlying residual site value;
- Income approach – used for sites subject to a Development Agreement with contracted receipts to the Group. On this valuation basis the receipts are discounted to arrive at the present value at a rate of return which represents the time value of money and the relative risks of the capital receipt.

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

Where the estimated net realisable value is less than its carrying value within the Statement of Financial Position, the Group impairs the carrying value. In the period to 31 March 2020, this review resulted in a £33.7m impairment charge (2018/19 - £24.5m) offset by a reversal of £0.6m of previous impairments (2018/19 £1.4m). See note 17 for further details.

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

The assessment of rental values is formed purely for the purposes of assisting in the formation of an opinion of capital value and is generally on the basis of Market Rent, as defined in the RICS Valuation - UK Red Book dated 14th November 2019. Where circumstances dictate that it is necessary to utilise a different rental value in the capital valuation, the valuers will generally set out the reasons for this in their report.

Fair value of vacant buildings - In addition to the above methodology, the fair value of vacant buildings may also be valued and analysed on a comparison method with other capital value transactions where applicable.

Affordable housing assumptions - property valuations are based on current intentions for assets, contracts and tendering activity. In particular, the asset valuations are subject to assumptions around the levels of affordable housing, which is a factor in valuing development

Notes to the Financial Statements

property and in determining the highest and best use for investment properties. Current levels of assumed affordable housing are subject to uncertainty, since the developments are expected to be self-funding whilst supporting the London-wide ambition to achieve a level of 50% of affordable housing on new developments. The level assumed in the valuation at 31 March 2020 is therefore a judgement. As the London Plan is confirmed it is possible affordable housing levels on some sites might increase, which would lead to a decrease in value.

Fair value of specialised property - where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. This requires assumptions being made on the nature, size and specification of the modern equivalent building and all other necessary improvements; and calculating the cost of providing these by reference to published building cost data. Assumptions are also made on the percentage depreciation required to adjust or depreciate all costs incurred to provide the modern equivalent asset to reflect differences between this modern equivalent and the actual asset being valued. This approach is adopted in the valuation of the Crystal Palace National Sports Centre, see Note 10.

Financial instruments – Classification - the classification decision for non-equity financial assets under IFRS 9, is dependent on two key criteria:

- The business model within which the asset is held (the business model test), and
- The contractual cash flows of the asset (the SPPI test).

Determining the appropriate business model and assessing whether the cash flows generated by an asset consist solely payments of principal and interest requires management judgement and can affect whether the financial instrument is held at amortised cost or fair value and whether changes in fair value are recognised in Profit/Loss before tax or in Other Comprehensive Income.

Financial Instruments – Allowances for Impairment Losses –
The calculation of the Group's expected credit loss (ECL) against loan commitments under IFRS 9 requires the Group to make a number of judgements, assumptions and estimates. The COVID-19 pandemic and the resultant current and forecast uncertainty, in the UK and global economy, has increased the complexity of ECL assessments. The majority of the Group's loan investments are loans to property developers, so the Group is exposed to risks in the real estate sector. The impairment review of each counterparty has taken into account the developer's current assessment of the impact COVID-19 will have on the pace of construction and forecast sales and rent levels.

Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections, available press information about customers and COVID-19 exposure) and applying experienced credit judgement.

Notes to the Financial Statements

An ECL reflects past performance, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Definition of default – the probability of default of an exposure, both over a 12-month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due or has failed to comply with key financial covenants and other performance obligations in development agreements.

Fair values of financial assets - where quoted market prices are not available, valuation techniques are used to value financial instruments. These include models using both observable and unobservable market inputs. The valuation techniques involve judgement with regard to the valuation models used and the inputs to these models can lead to a range of plausible valuation for financial investments. Inputs include forecast cash flows, appropriate market interest rates, housing price indices and for property backed loans a key input is the underlying property valuation.

Classification of investment properties - IAS 40 *Investment properties* (IAS 40) requires that properties are classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals. To comply with IAS 40, judgement needs to be exercised in determining whether these properties should be classified as investment properties in accordance with IAS 40. As investment properties are valued at fair value, with movements in the fair value being recorded in the Statement of Comprehensive Income, this could have a significant effect on the financial performance of the Group. In 2019/20, there was a decrease of £2.8m (£4.8m increase in 2018/19) in the fair value of investment properties. See note 11 for further details.

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

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

d) Going concern

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

The Group made a profit after tax for the period of £6.3m(£32.5m loss for period ended 31 March 2019); the balance sheet remains strong with net assets currently totalling £235m (£226m at 31 March 2019). Further to this, the Group's liquidity position is assured as the

Notes to the Financial Statements

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

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

e) Revenue

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

IFRS 15 requires that revenue reflects the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled. The recognition of such revenue is in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price; allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied.

Revenue is recognised as follows:

Development properties and land sales

Revenue from property and land sales is recognised in the Statement of Comprehensive Income when control transfers to the purchaser. Revenue is recognised at the fair value of the consideration received or receivable. It is considered that control passes on legal completion.

Rental income

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

Grants and contributions

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

Notes to the Financial Statements

f) Leases

Leases (the Group as lessee)
For leases where the Group is a lessee, the Group recognises a right-of-use asset and a lease liability at the commencement date of the lease. Lease liabilities are initially measured at the present value of the lease payments due during the lease term but that are not paid at the commencement date, discounted using the respective entity's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed payments and applicable variable lease payments (which depend on an index or a rate).

The lease term includes periods covered by extension and break options if the Group is reasonably certain to extend the lease or to not exercise the break.

The incremental borrowing rates reflects the rate at which the entity borrows from the Greater London Authority.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index, rate or a lease modification. When purchase, extension or break options are exercised, (or not exercised) in a way inconsistent with the prior assessments of those options, or if those assessments are changed, then lease liabilities will also be remeasured. The likelihood of options being exercised will only be re-assessed on the occurrence of a significant event or change in circumstance within the control of the entity (for example when a final decision to close or vacate a site is made).

The Group presents right-of-use assets that do not meet the definition of investment property in 'Property, Plant and Equipment' and 'Inventories' in the Statement of Financial Position.

Short-term leases and leases of low-value assets
The Group has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Under IAS 17
In the comparative period, as a lessee, the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to the asset.

Notes to the Financial Statements

Assets held under other leases were classified as operating leases and were not recognised in the Statement of Financial Position. Payments made under operating leases were recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Leases (the Group as lessor)
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the group entity is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption above, then it classifies the sub-lease as an operating lease.
Amounts due from lessees under finance leases are recorded as receivables at the amount of the group entity's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

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

The accounting policies applicable to the Company as a lessor in the comparative period were not different form IFRS 16. However, when the Company was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

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

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

Notes to the Financial Statements

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

Notes to the Financial Statements

Expenditure of £10,000 and above on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accrual basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

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

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

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

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

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

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

Revaluation gains are also depreciated.

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

Notes to the Financial Statements

Disposals

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

j) Investment property

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

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

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

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

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

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

k) Inventories

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

Expenditure, of £10,000 and above, on direct materials, direct labour costs and those overheads which have been incurred in bringing the inventories to their present location and condition, is capitalised. Expenditure below £10,000 may be grouped and capitalised where practicable to do so.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised as inventory when the significant risks and rewards of ownership have been transferred to the Group.

Contributions of services that enhance inventory are measured by referring to the fair value of the services received.

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

l) Provisions

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

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

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

m) Contingent liabilities and assets

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

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

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

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

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

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n) Reserves

Retained earnings represent the accumulated surplus or deficit to date.

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

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

o) Financial instruments

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

Financial assets within the scope of IFRS 9 Financial Instruments ("IFRS 9") are classified as:

- Amortised cost;
- Fair value through other comprehensive income; or
- *Fair value through profit and loss.*

Financial liabilities within the scope of IFRS 9 are classified as:

- financial liabilities at fair value through profit or loss; or
- financial liabilities at amortised cost.

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

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

Amortised cost

Financial assets are classified as amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gains and losses are recognised in the profit or loss when the financial assets at amortised cost are derecognised or impaired, as well as through the amortisation process.

Loans, finance lease receivables, trade and other receivables are classified as amortised cost

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Fair value through other comprehensive income
Financial assets are classified as fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets at fair value through profit and loss
Financial assets are classified as fair value through profit and loss for all other combinations of business model and contractual cash flows falling outside the definitions of Amortised cost or Fair value through other comprehensive income and expenditure.

Assets are carried in the Statement of Financial Position at fair value with gains or losses recognised in profit or loss.

Expected Credit Loss Model
The impairment charge in the Statement of Comprehensive Income includes the change in expected credit losses. Expected credit losses are recognised for financial assets held at amortised cost, mainly loans to property developers. Expected credit losses are calculated as an unbiased and probability-weighted estimate using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Group at the point of default after taking into account the value of any collateral held.

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk since origination, allowance is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk since initial recognition are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

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An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. The assessment is unbiased, probability-weighted and uses forward-looking information consistent with that used in the measurement of expected credit losses. In determining whether there has been a significant increase in credit risk, the Group reviews credit ratings and qualitative indicators such as watchlists and other indicators of historical delinquency, credit weakness or financial difficulty. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since origination, the asset is transferred back to Stage 1. Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired. Default is considered to have occurred when there is evidence that the customer is experiencing financial difficulty which is likely to affect significantly the ability to repay the amount due.

Equity Mortgages

Equity mortgages are a financial instrument and are classified as fair value through profit and loss.

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

Equity Mortgages are valued with reference to published house price indices (January 2020 indices). For equity interests in housing units, the fair value at 31 March is calculated using movements in the Land Registry House Price Index for the London region, this being the most relevant available observable market data. The carrying values do not therefore reflect the impact, if any, of the COVID-19 pandemic which is on-going at the time of preparing these financial statements. Further information is provided in Note 3c Uses of Estimates and Judgements – Impact of COVID-19 on valuations - Property and Financial Instruments.

Cash and cash equivalents

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

Financial liabilities measured at amortised cost

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

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

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

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

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

4. Sharing of Disposal Proceeds

The Ministry for Housing, Communities and Local Government and the BIG Lottery Fund are entitled to receive shares of the proceeds of certain land disposals on the Greenwich Peninsula after the deduction of agreed costs. In 2019/20, £0.3m was payable to the Big Lottery Fund (£0.08m in 2018/19) and £0.8m was payable to the MHCLG (£0.26m in 2018/19).

5. Expenditure by type

Period ended 31 March	**2020**	**2019**
The operating profit or loss is stated after charging:	**£000**	**£000**
Cost of inventory sold	3,742	2,384
Net write down/(reversal) of inventory to net realisable value	33,106	23,087
Estate management costs	12,105	10,191
Developer costs	25,393	
Administrative costs recharge from the GLA	6,583	5,598
Depreciation expense	3,839	3,154
Auditor's fees for the audit of these financial statements	123	125
Other administrative expenses	1,860	2,883
Total cost of sales and other costs	**86,751**	**47,422**

Notes to the Financial Statements

6. Other expenses

Period ended 31 March	2020 £000	2019 £000
Impairment/(write back) loss of financial assets at amortised cost	5,595	(88)
Loss on initial recognition of financial assets at amortised cost	-	(1,012)
Compensation paid to limited partners for interest loss	239	-
Impairment/revaluation loss on property, plant and equipment	324	124
Impairment loss /(reversal) on financial assets at fair value through profit and loss	(22)	72
Total other expenses	**6,136**	**(904)**

7. *Other income*

Period ended 31 March	2020 £000	2019 £000
Net (gain)/loss on sale of investment property	(340)	-
Net (gain)/loss on disposal of equity mortgages	282	375
Fair value (gain)/loss on equity mortgages at FVTPL	(307)	1,043
Fair value (gain)/loss on loan investments held at FVTPL	1,028	-
Fees and charges	(13)	(19)
Overage	(24,463)	(1,120)
Other income	(1,693)	(327)
Total other income	**(25,506)**	**(48)**

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

2019/20	Financial Liabilities: Amortised costs	Financial Assets: Amortised Cost	Financial Assets: Fair Value through Profit and Loss	Total
	£000	£000	£000	£000
Interest expense	19,370	-	-	**19,370**
Finance lease interest	365	-	-	**365**
Expected and actual credit losses/(reversals)	-	5,595	(22)	**5,573**
Total expense reported in profit or loss	**19,735**	**5,595**	**(22)**	**25,308**
Interest income	-	(11,643)	(81)	**(11,724)**
Finance lease interest	-	(3,126)	-	**(3,126)**
(Increase)/Decrease in fair value	-	-	721	**721**
(Gains)/Loss on derecognition	-	-	282	**282**
Income distribution from LP	-	-	(465)	**(465)**
Unwind of discount on non-interest bearing loans	-	(437)	-	**(437)**
Total income reported in profit or loss	**-**	**(15,206)**	**457**	**(14,749)**
Net (gain)/loss for the period	**19,735**	**(9,611)**	**435**	**10,559**

Notes to the Financial Statements

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

2018/19	Financial Liabilities: Amortised costs	Financial Assets: Amortised Cost	Financial Assets: Fair Value through Profit and Loss	Total
	£000	£000	£000	£000
Interest expense	14,670	-	-	**14,670**
Finance lease interest	2	-	-	**2**
Loss on initial recognition	-	-	(1,012)	**(1,012)**
Expected and actual credit losses/(reversals)	-	(88)	72	**(16)**
Total expense reported in profit or loss	**14,672**	**(88)**	**(940)**	**13,644**
Interest income	-	(5,208)	(94)	**(5,302)**
Finance lease interest	-	(4,446)	-	**(4,446)**
(Increase)/Decrease in fair value	-	-	1,043	**1,043**
(Gains)/Loss on derecognition	-	-	375	**375**
Unwind of discount on non-interest bearing loan	-	(425)	272	**(153)**
Total income reported in profit or loss	**-**	**(10,079)**	**1,596**	**(8,483)**
Net (gain)/loss for the period	**14,672**	**(10,167)**	**656**	**5,161**

9. Operating leases

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

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

Group as lessor

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

	31 March 2020	31 March 2019
	£000	£000
Not later than one year	1,951	3,034
Later than one year and not later than five years	3,848	7,407
Later than five years	1,790	2,589
	7,589	**13,030**

Notes to the Financial Statements

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

	2019/20 £000	2018/19 £000
Rent receivable in year	2,144	3,256
Lease surrender premium	11,515	-
	13,659	**3,256**

10. Property, plant and equipment

Movements in	2019/20 Other Land and Buildings *£000*	2018/19 Other Land and Buildings *£000*
Cost or Valuation		
At 1 April	**22,666**	**21,841**
Additions		124
Revaluation increases/(decreases) recognised in the revaluation reserve	1,261	825
Revaluation decreases recognised in Profit/(Loss)	(324)	(124)
At 31 March	**23,603**	**22,666**
Accumulated Depreciation and Impairment		
At 1 April	**(1,251)**	**(521)**
Depreciation charge	(3,839)	(3,154)
Depreciation written out to the Revaluation Reserve	2,667	2,424
At 31 March	**(2,423)**	**(1,251)**
Net Book Value		
At 1 April	**21,415**	**21,320**
At 31 March	**21,180**	**21,415**

Crystal Palace National Sports Centre (NSC) and Capel Manor Farm are right of use assets acquired on 125-year leases from the London Borough of Bromley. The assets are classified as property, plant and equipment. The property forms the National Sports Centre (NSC) providing both wet and dry facilities, outdoor pitches, tennis courts, athletics stadium and residential accommodation. The NSC was constructed in 1964; the Jubilee Stand of the stadium was added in 1977. There have been a number of alterations and additions. The NSC is a Grade II listed building. The property also includes the Capel Manor urban farm which consists of two single storey educational and administration buildings.

Notes to the Financial Statements

Valuations

The valuations were carried out by external valuers, GL Hearn at 31 March 2020. Valuations were carried out in accordance with the Practice Statements contained in the RICS Valuation - UK Red Book dated 14th November 2019 and IFRS 13, by valuers who conform to the requirements thereof. The valuations were undertaken by currently Registered RICS Valuers.

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

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

Significant unobservable inputs in Level 3 valuations of property, plant and equipment are the average costs per square foot for a modern equivalent of the Crystal Palace National Sports Centre, the athletics stadium and the lodge. The costs were taken from the Building Cost Information Service provided by the Royal Institution of Chartered Surveyors, and the average square footage (sq. ft.) used ranged from £9 to £250 per sq. ft. £35,000 per acre, £50,000 per acre and £100,000 per acre has been attributed to the land for the athletics stadium, sports centre and lodge respectively (reflective of their community use and Conservation Area and Metropolitan Open Land designation within the Local Plan).

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

Crystal Palace is held at fair value and at 31 March 2020 had a carrying value of £21.2m, for information, if the Group held this asset at cost, the carrying value would have been £5.8m.

Fair value gains or losses

In the year ended 31 March 2020 the Group recognised £3.9m of revaluation gains in the Other Comprehensive Income (£3.2m gain in 2018/19).

Notes to the Financial Statements

11. Investment properties

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

	2019/20 £000	2018/19 £000
Balance at 1 April	**76,883**	**72,058**
Additions	2516	-
Disposals	(160)	-
Gains and losses included in profit or loss for the year:		
Increase/(decrease) in fair value of investment properties	(2,757)	4,825
Balance at 31 March	**76,482**	**76,883**

Direct operating expenses (including repairs and maintenance) incurred in relation to Investment Properties totalled £5.6m in year (£3.1m in 2018/19).

All valuations were carried out by independent external valuers, GL Hearn at 31 March 2020. Valuations were carried out in accordance with the Practice Statements contained in the RICS Valuation - UK Red Book dated 14th November 2019 and in accordance with IFRS 13, by valuers who conform to the requirements thereof. The valuations were undertaken by currently Registered RICS Valuers.

See Note 3 for key assumptions in relation to asset valuations and sources of estimation uncertainty.

Fair value hierarchy

Where deemed appropriate, fair values for investment properties with an income stream are calculated using the direct income capitalisation method. In applying the direct income capitalisation method the rental income less irrecoverable costs of each property is divided by an appropriate capitalisation rate. Other investment properties were valued using the comparison method which uses sales values of comparable sites/properties adjusted as required. These measurements are classified as Level 3 in the fair value hierarchy.

Recurring fair value measurements using:	**Quoted prices in active markets for identical assets**	**Other *significant* observable inputs**	**Significant *unobservable* inputs**	**Fair Value as *at 31 March* 2020**
	Level 1	**Level 2**	**Level 3**	
	£000	**£000**	**£000**	**£000**
Commercial units	-	-	76,072	**76,072**
Residential properties	-	-	410	**410**
Balance at 31 March	**-**	**-**	**76,482**	**76,482**

Notes to the Financial Statements

Recurring fair value measurements using:	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair Value as at 31 March 2019
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Commercial units	-	-	76,473	76,473
Residential properties	-	-	410	410
Balance at 31 March	-	-	76,883	76,883

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

2019/20

Input	Range	Weighted Average	Sensitivity
Rental income less irrecoverable costs	£19,250 - £334,000	£200,892	Significant changes in rent growth; vacancy levels or capitalisation rate will result in a significantly lower or higher fair value
Capitalisation rate	5.75% - 8.71%	6.56%	

2018/19

Input	Range	Weighted Average	Sensitivity
Rental income less irrecoverable costs	£20,000 - £334,000	£200,602	Significant changes in rent growth; vacancy levels or capitalisation rate will result in a significantly lower or higher fair value
Capitalisation rate	4% - 8%	6.34%	

Transfers between levels of the fair value hierarchy

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

Notes to the Financial Statements

12. Loan Investments

	31 March 2020 £000	31 March 2019 £000
Loans to joint venture	69,864	34,706
Loan to Limited Partnership	17,370	14,028
Infrastructure loans	280,602	226,208
At 31 March	**367,836**	**274,942**

	2020 £000	2019 £000
At 1 April	**274,942**	**114,686**
Loans advanced in year	117,545	158,022
Interest receivable	3,709	1,563
Repayments	(26,382)	-
Discount Unwinding	437	425
Expected credit loss provision	(1,387)	-
Fair value adjustment (FVTPL)	(1,028)	(765)
Write down to fair value on initial recognition (Amortised cost)	-	1,011
At 31 March	**367,836**	**274,942**

Loans totalling £117.5m were advanced in year to property developers to fund the building of homes.

13. Equity Mortgages

Equity mortgages are stated at fair value and include the Group's entitlement to future income arising from financial assistance provided to homebuyers to enable them to buy homes. The valuations below use the ONS House Price index at January 2020 and do not therefore reflect the impact, if any, of the COVID-19 pandemic.

	31 March 2020 £000	31 March 2019 £000
At 1 April	**37,587**	**42,624**
Disposals at cost less impairments	(1,258)	(1,974)
Fair value adjustment on disposals and revaluations	(1,417)	(2,991)
Impairment of assets held	22	(72)
At 31 March	**34,934**	**37,587**

Fair value hierarchy

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

Notes to the Financial Statements

Transfers between levels of the fair value hierarchy
The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period. There were no transfers in or out of Level 2 fair value measurements for fair value through profit and loss financial assets during the period.

14. Finance lease receivables

Group as lessor

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

	31 March 2020 £000	31 March 2019 £000
Finance lease debtor (net present value of minimum lease payments):		
Current	60,751	16,662
Non-current	76,794	82,019
Unearned finance income	15,526	9,071
Gross investment in the lease	**153,071**	**107,752**

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

	31 March 2020 £000	31 March 2019 £000
Not later than one year	61,200	16,912
Later than one year and not later than five years	89,032	87,783
Later than five years	2,839	3,057
	153,071	**107,752**

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

	31 March 2020 £000	31 March 2019 £000
Not later than one year	60,751	16,662
Later than one year and not later than five years	75,534	80,627
Later than five years	1,260	1,392
	137,545	**98,681**

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

- The London International Exhibition Centre has been granted a 200-year lease ending in 2199 for the ExCel Exhibition Centre land;
- A 95-year lease ending in 2075 with Workspace II Limited for a warehouse, office and secure yard at Quicksilver Place, Wood Green;
- A 99-year lease until 2082 with The Drum Group Limited for a plot of land at Charles Street, London E16;

Notes to the Financial Statements

- A 101-year lease ending in 2110 with London City Airport to allow the installation of airport landing lights at Albert Island, London E16; and
- Deferred receipts in relation to various development properties leased on long leases.

Contingent rent

Lease receivables from a lease with ExCel Exhibition Centre site have been treated as a contingent asset. The Excel lease expires in 2199 and the annual lease receivable is based on the corresponding annual turnover of the centre, the value of the lease is therefore uncertain. The net present value of the estimated cash flows is considered to be between £10m and £25m and £1.3m was receivable in 2019/20 (£0.98m in 2018/19).

15. *Trade and other receivables*

	31 March 2020 £000	31 March 2019 £000
Current		
Trade receivables due from related parties	88	2,331
Other trade receivables	31,152	11,961
Accrued income	6,066	5,579
Prepayments	68	52
	37,374	**19,923**
Non-current		
Amounts due from third parties	51	51
	51	**51**

Notes to the Financial Statements

16. Taxation

Tax recognised in profit and loss

For the period ended 31 March	2020 £000	2019 £000
Corporation tax rate on profits for the year	19%	19%
Corporation tax on profits for the year	2,397	(1,048)
Group relief received	202	-
Prior year adjustment	9	347
Current tax charge	**2,608**	**(701)**
Deferred tax	(91)	(1,430)
Effect of tax losses	2	81
	2,519	**(2,050)**
Effect of reductions in corporation tax rate	997	144
Tax expense from continuing operations	**3,516**	**(1,906)**

Tax recognised in other comprehensive income

For the period ended 31 March	2020 £000	2019 £000
Deferred tax	208	(5)

For the period ended 31 March		2020	
	Before tax £000	Tax £000	After tax £000
Revaluation of property plant and equipment	(3,928)	208	(3,720)
	(3,928)	**208**	**(3,720)**

For the period ended 31 March		2019	
	Before tax £000	Tax £000	After tax £000
Revaluation of property plant and equipment	(3,249)	(5)	(3,254)
	(3,249)	**(5)**	**(3,254)**

Notes to the Financial Statements

Reconciliation of tax charge

For the period ended 31 March	2020 £000	2,019 £000
Profit/(Loss) before tax	**9,790**	**(34,436)**
Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (year to 31 March 2019 19%)	**1,860**	**(6,543)**
Effects of:		
Historic tax basis in development properties	-	(68)
Prior year adjustment corporation tax	9	347
Disallowable items	1,187	847
Brought forward losses utilised	(772)	-
Indexation allowance and other differences on capital gains	-	(3)
Exceptional write down of development stock	-	4,015
Corporate interest restriction	-	1,661
Adjustments to Equity Mortgages	(199)	(2,162)
Tax rate changes	997	-
Other differences	434	-
Total tax charge for the year	**3,516**	**(1,906)**

Recognised deferred tax liabilities

	1 April 2019 £000	Movement in year £000	Increase in tax rate £000	31 March 2020 £000
Development stock	3,002	(9)	354	3,347
Equity Mortgages	133	25	16	174
Trading losses	(1,499)	2	(176)	(1,673)
Accelerated capital allowances	56	1	6	63
Net deferred tax on trading items	**1,692**	**19**	**200**	**1,911**
Property, plant and equipment	2,149	(45)	253	2,357
Investment properties	6,776	(108)	797	7,465
Total deferred tax liabilities	**10,617**	**(134)**	**1,250**	**11,733**

	1 April 2018 £000	Movement in year £000	Reduction in tax rate £000	31 March 2019 £000
Development stock	3,143	(157)	16	3,002
Equity Mortgages	2,227	(2,340)	246	133
Trading losses	(1,572)	81	(8)	(1,499)
Accelerated capital allowances	13	46	(3)	56
Net deferred tax on trading items	**3,811**	**(2,370)**	**251**	**1,692**
Property, plant and equipment	2,154	(6)	1	2,149
Investment properties	5,862	1,021	(107)	6,776
Total deferred tax liabilities	**11,827**	**(1,355)**	**145**	**10,617**

Notes to the Financial Statements

Deferred tax has been provided at 19%, the rate at which the liabilities/assets are expected to reverse.

Unrecognised deferred tax asset

	2020	2019
	£000	£000
Trading and other losses	187,175	165,454

Deferred tax has been computed at 19% (2018/19 - 17%) to arrive at the deferred tax assets. This is the rate at which the assets would reverse. Most of these deferred tax assets represent trading losses carried forward. A significant part of these trading losses (£71.6m), were inherited from predecessor bodies under the Localism Act 2011. The availability of some of these losses has not been agreed with HMRC and could be subject to change. Restrictions will arise on the future use of these losses. In particular, the amount of profits that can be offset by losses carried forward is restricted to 50% of the annual amount of profits in excess of £5 million.

17. Inventories

	31 March 2020 £000	31 March 2019 £000
Property/development assets:		
Land and buildings	212,264	246,544
	212,264	**246,544**
Balance at 1 April	**246,544**	**258,484**
Additions in year	2,568	13,531
Included in Cost of Sales:		
Cost of property sold	(3,742)	(2,384)
Write down to net realisable value	(33,666)	(24,533)
Reversal of write downs	560	1,446
Balance at 31 March	**212,264**	**246,544**

Cost of inventory sold
Inventory consists of property/development assets. Disposals during the year amounted to £3.7m (2018/19 - £2.4m) and this amount is offset, in the Statement of Comprehensive Income, against disposal proceeds received.

Write down to net realisable value
Where the market value of a property/development asset is lower than costs incurred on that asset, the reduction is written off to profit or loss within Cost of Sales. Write downs during the period amounted to £33.7m (2018/19 - £24.5m), these were largely due to the increase in the proportion of affordable housing in an existing development from 14% to 60% at 31 March 2020.

Notes to the Financial Statements

Reversal of write downs
The write-back of £0.6m is largely due to the fair value of a site now reflecting planning permission.

Valuation
The realisable value of the Group's development properties at 31 March 2020 has been based on a valuation carried out at that date by external valuers, GL Hearn. An estimate of selling costs has been deducted from the valuation to determine the net realisable value.

Valuations were carried out in accordance with the Practice Statements contained in RICS Valuation - UK Red Book dated 14th November 2019, by valuers who conform to the requirements thereof. The valuations were undertaken by currently Registered RICS Valuers.

18. *Cash and cash equivalents*

	31 March 2020 £000	31 March 2019 £000
Bank current accounts	897	1,221
Other deposits	7,305	33,703
	8,202	**34,924**

19. *Trade and other payables*

	Company 31 March 2020 £000	Group 31 March 2020 £000	Company 31 March 2019 £000	Group 31 March 2019 £000
Current				
Trade payables due to related parties	-	(15,185)	-	(2,362)
Other trade payables	-	(10,833)	-	(6,632)
Accrued expenses	-	(5,404)	-	(12,953)
Deferred income	-	(658)	-	(876)
	-	**(32,080)**	**-**	**(22,823)**
Non-current				
Trade payables due to related parties	(125)	(125)	(125)	(125)
Other trade payables	-	(18,434)	-	(36)
Deferred income	-	(11,886)	-	(11,886)
	(125)	**(30,445)**	**(125)**	**(12,047)**

Notes to the Financial Statements

20. Lease liabilities

Group as lessee

The Group leases in a proportion of its property, plant and equipment and inventory.

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

	31 March 2020	31 March 2019
Carrying value of assets	**£000**	**£000**
Other Land and Buildings	21,180	21,415
Investment Property	25,755	24,190
Development Properties	8,066	11,216
	55,001	**56,821**

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

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

	31 March 2020 £000	31 March 2019 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	1,055	1
Non-current	8,259	37
Finance costs payable in future years	1,466	47
Minimum lease payments	**10,780**	**85**

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

	31 March 2020 £000	31 March 2019 £000
Not later than one year	1,382	3
Later than one year and not later than five years	5,527	11
Later than five years	3,871	71
	10,780	**85**

The present value of the minimum lease payments:

Notes to the Financial Statements

	31 March 2020 £000	31 March 2019 £000
Not later than one year	1,055	1
Later than one year and not later than five years	4,626	5
Later than five years	3,633	32
	9,314	**38**

Details of the Group's finance leases as lessee

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

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

Held as Inventory on the Statement of Financial Position:

- **Stephenson Street** - a small 1.04acre portion of the site is held on a long-term lease of 99 years with Network Rail, expiring in 2069, for the land and railway arches at Stephenson Street (ex-Parcelforce Site) in West Ham providing part of the access to the larger freehold adjoining property belonging to the Group.
- **Thames Wharf** - two long leases (57 and 60 years long) the Group took out with the London Borough of Newham at Thames Wharf as part of the larger property. Both leases expire in 2026;
- **20 Newburn Street, Kennington** - this property is leased from London Housing Quadrant on a 125-year lease ending in 2129. It has subsequently been leased out on peppercorn rental to Riverside Community Development Trust; and
- **CEME** - this property is leased from Ford Motor Group on a 125-year lease ending in 2126.

21. Financial instruments

Categories of financial instruments

The following categories of financial instrument are carried in the Balance Sheet. See Note 3c Uses of Estimates and Judgements – Impact of COVID-19 on valuations - Property and Financial Instruments, for further information on the impact of COVID-19 on carrying value of financial instruments at 31 March 2020.

Notes to the Financial Statements

	Company Carrying Value 31 March 2020	Group Carrying Value 31 March 2020	Company Carrying Value 31 March 2019	Group Carrying Value 31 March 2019
Investments-Non-current		**£000**		**£000**
Financial assets at amortised cost	125	350,591	125	261,039
Financial assets at fair value through profit and loss	-	52,306	-	51,615
Total investments	**125**	**402,897**	**125**	**312,654**
Receivables Non-current				
Financial assets at amortised costs	-	51	-	51
Finance lease receivables	-	76,794	-	82,019
Total Receivables	**-**	**76,845**	**-**	**82,070**
Borrowings-Non current				
Financial liabilities at amortised cost	-	(265,000)	-	(285,000)
Total borrowings	**-**	**(265,000)**	**-**	**(285,000)**
Other Non current Liabilities				
Finance lease liabilities	-	(8,259)	-	(37)
Total other Non current liabilities	**-**	**(8,259)**	**-**	**(37)**
Payables Non-current				
Financial liabilities at amortised cost	(125)	(18,559)	(125)	(161)
Total Payables	**(125)**	**(18,559)**	**(125)**	**(161)**

Notes to the Financial Statements

	Company Carrying Value 31 March 2020	Group Carrying Value 31 March 2020	Company Carrying Value 31 March 2019	Group Carrying Value 31 March 2019
Investments Current	**£000**	**£000**	**£000**	**£000**
Financial assets at amortised cost	-	3,162	-	577
Total investments	**-**	**3,162**	**-**	**577**
Receivables Current				
Financial assets at amortised cost	-	33,670	-	14,869
Finance lease receivables	-	60,751	-	16,662
Total Debtors	**-**	**94,421**	**-**	**31,531**
Cash and cash equivalents	**-**	**8,202**	**-**	**34,924**
Borrowings Current				
Financial liabilities at amortised cost	-	(323,506)	-	(253,001)
Total borrowings	**-**	**(323,506)**	**-**	**(253,001)**
Other Current Liabilities				
Finance lease liabilities	-	*(1,055)*	-	*(1)*
Total other current liabilities	**-**	***(1,055)***	**-**	***(1)***
Payables Current				
Financial liabilities at amortised cost	-	(25,642)	-	(21,947)
Total Payables	**-**	**(25,642)**	**-**	**(21,947)**

Unquoted equity investments at cost

The Greater London Authority transferred its share holdings in RoDMA to the Group for nil consideration on 3 October 2013. As RoDMA is an associate of the Group the shares are held at nil cost.

The Group disposes of shares in RoDMA as and when leases are granted by RoDMA to new leaseholders. The shareholding increased from 38.02% to 38.98% in year due to the return of *Siemens' surrender of The Crystal building lease in year.*

Fair values of financial assets and liabilities

The fair value of financial assets and liabilities can be assessed by calculating the net present value (NPV) of the cash flows that will take place over the remaining term of the instruments, using the following assumptions and Level 2 valuation inputs:

- Published market data for comparable instruments at 31 March 2020 are used to obtain discount rates for long-term borrowings;
    - *Where borrowing will mature within 12 months, carrying amount is assumed to approximate to fair value;*

Notes to the Financial Statements

- The discount rates used to determine the net present values of investments are the market rates available as at 31 March 2020 for new instruments equivalent to those under consideration. For investments maturing within 12 months or with rates programmed to vary with an underlying interest rate measure (such as base rate) where the next rate revision will occur within 12 months, carrying amount is assumed to approximate to fair value;
- For real estate backed property loans the fair value is based on discounted future cash flows capped at the current valuation of the underlying property assets and
- The fair value of trade and other receivables and payables due within 12 months is taken to be the invoiced or billed amount.

Fair values of assets and liabilities	31 March 2020 Carrying amount	31 March 2020 Fair Value	31 March 2019 Carrying amount	31 March 2019 Fair Value
	£000	£000	£000	£000
Borrowing Non-current	(265,000)	(285,346)	(285,000)	(309,552)
Borrowing Current	(323,506)	(323,506)	(253,001)	(253,001)
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Loan Investments & Equity non-current and current at Amortised Cost	353,753	353,753	261,491	261,491
Financial assets at FVTPL	52,306	52,306	51,615	51,615

The fair value of borrowing is higher than the carrying amount because the interest rate payable on the Group's loan portfolio is higher than the prevailing rates at the Statement of Financial Position date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to the Greater London Authority above current market rates.

22. Financial risk management

The Group's activities expose it to a variety of financial risks including:

- credit risk- the possibility that other parties might fail to pay amounts due
- liquidity risk- the possibility that the Group may not have the funds available to meet its commitments to make payment
- market risk-the possibility that financial loss might arise as a result of changes in interest rates

These risks are considered by the directors and managed as set out below. Day to day management of the Group's cash position is delegated to the ultimate parent, the Greater London Authority, which maintains a professional group treasury team.

Credit risk

Notes to the Financial Statements

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

The Group is exposed to risk of default on the loan investments referred to in Note 12, although the Group has not experienced default from similar instruments in the past, the full impact of the COVID-19 pandemic on the real estate sector is currently unknown and as part of the impairment review and expected credit loss assessment the Group liaised with developers to ascertain the impact COVID-19 on the property developments funded by the loans advanced. The agreements and the financial standing of the counterparties are routinely monitored by the ultimate parent's group treasury team with a view to early management of any risks arising.

The maximum exposure to credit risk on receivables at 31 March 2020 is £171.3m (£113.6m - 31 March 2019).

Liquidity risk

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

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

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

Borrowings

	Interest rate	31 March 2020 £000	31 March 2019 £000
Non-current			
Amounts due to ultimate parent	Fixed: 3.33%	(265,000)	(285,000)
		(265,000)	**(285,000)**
Current			
Amounts due to ultimate parent (Housing Zones)	Fixed: 2.00% to 5.33%	(202,103)	(166,991)
Amounts due to ultimate parent (Other Property)	Fixed: 0.00% to 3.11%	(77,040)	(67,670)
Amounts due to ultimate parent	Fixed: 3.33%	(35,000)	(15,000)
Interest owed as at 31 March		(9,363)	(3,340)
		(323,506)	**(253,001)**

Notes to the Financial Statements

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

	31 March 2020 £000	31 March 2019 £000
Within one year-Principal	(314,143)	(249,661)
Within one year-Interest	(9,363)	(3,340)
Greater than one and up to two years-Principal	(70,000)	(35,000)
Greater than two and up to five years-Principal	(80,000)	(150,000)
Greater than five and up to ten years-Principal	(95,000)	(65,000)
More than ten years-Principal	(20,000)	(35,000)
	(588,506)	**(538,001)**

Market risk

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

Loan investments
£27.6m of the Group's investments attract interest on a variable rate basis. A 1% rise in interest rates would deliver an additional £0.3m in interest receivable, whereas a 0.01% fall would lead to a reduction in receipts of £0.03m.

Equity mortgages
At 31 March 2020, if UK house prices had been 1% lower and all other variables were held constant, the Group's house price linked financial assets, would decrease in value, excluding the effects of tax, by £0.4m, with a corresponding reduction in equity.

23. Provisions

	Other Provisions £000	CPO Provisions £000	Total £000
Balance at 1 April 2019	**(1,774)**	**(895)**	**(2,669)**
Reclassified to Trade Payables-Current	-	750	**750**
Balance at 31 March 2020	**(1,774)**	**(145)**	**(1,919)**

Compulsory purchase orders (CPO)

The CPO provision of £0.1m is the forecast of liabilities for which a binding commitment has been made as at 31 March. The remaining provision relates to one outstanding claim and related legal fees. At present, it is expected that payments will be made in 2020/21.

Other provisions

Uncertain tax position provision - The treatment of certain items, in particular equity mortgages, for corporation tax purposes is uncertain. Although the treatments adopted are considered to be reasonable and defensible they may be disputed by HMRC. In the circumstances, it is considered prudent to make a tax provision of £1.8m.

Notes to the Financial Statements

24. *Contingent liabilities and assets*

Contingent liabilities

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

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

	31 March 2020 £000	**31 March 2019 £000**
Contingent Liabilities	(52,516)	(52,086)

S106 Agreements

Planning obligations are created under Section 106 of the Town and Country Planning Act 1990. They are legally binding obligations that are attached to a piece of land and are registered as local land charges against that piece of land. Planning obligations enable local authorities to secure contributions to services, infrastructure and amenities in order to support and facilitate a proposed development.

The Group inherited a number of S106 agreements, many of which have now expired or obligations have previously been met by the London Development Agency or the Developer. Of those remaining the obligation is either unquantifiable, to be met by the developer or non-financial in nature and have not been provided for as at 31 March 2020.

Contingent assets

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

25. *Contractual commitments*

As at 31 March 2020 there were no capital commitments.

Notes to the Financial Statements

26. Cash Flow

Adjustments to profit and loss for non-cash movements:

For the period ended 31 March	**2020 £000**	**2019 £000**
Depreciation and impairment of property, plant and equipment	(4,163)	(3,278)
Impairment of loan investments and finance lease receivables	(5,226)	-
Impairment of available for sale financial assets	22	(72)
Fair value (gain)/loss on equity mortgages	307	(1,043)
Change in fair value of investment property	(2,757)	4,825
Net (gain)/loss from financial assets at fair value through profit and loss	(1,028)	(766)
Movement in interest receivable	6,294	1,727
Movement in interest payable	(6,023)	(1,481)
Write down of loan investments to fair value	-	1,012
Other non cash movements	437	919
(Increase)/ decrease in payables	(27,454)	2,841
Increase/(decrease) in receivables	19,857	(5,772)
Increase/ (decrease) in inventory	(34,280)	(11,940)
(Increase)/ decrease in provisions	750	2,140
Increase/(decrease) in finance lease receivables	42,703	(43,204)
Tax expense	(3,516)	4,967
	(14,077)	**(49,125)**

Adjustments to profit and loss for investing and financing activities:

For the period ended 31 March	**2020 £000**	**2019 £000**
Gain/(loss) on equity mortgages	(282)	(375)
Gain/(loss) on sale of investment property	340	-
	58	**(375)**

Cash Flow Statement – included in operating activities

For the period ended 31 March	**2020 £000**	**2019 £000**
Interest received	(4,442)	(3,189)
Interest paid	10,366	11,332
Corporation tax paid	2,165	3,055

Notes to the Financial Statements

Cash Flow Statement – Investing Activities

For the period ended 31 March	2020 £000	2019 £000
Purchase of property, plant and equipment, investment property and intangible assets	2,516	125
Repayment of lease obligations	1,017	-
Purchase of short-term and long-term investments	117,546	158,020
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(500)	-
Proceeds from the redemption of equity mortgages	(2,700)	(3,295)
Proceeds from short-term and long-term investments	(26,382)	-
Net cash flows from investing activities	**91,497**	**154,850**

Cash Flow Statement – Financing Activities

	2020 £000	2019 £000
Cash receipts of short and long-term borrowing	(70,864)	(145,811)
Repayments of short and long-term borrowing	26,382	-
Net cash flows from financing activities	**(44,482)**	**(145,811)**

27. Capital and Reserves

Ordinary shares

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

Nature and purpose of reserves

Pooling of Interests reserve

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

Revaluation reserve

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

Notes to the Financial Statements

28. Ultimate parent undertaking

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

29. Related Parties

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

Subsidiaries (unconsolidated)

London Treasury Limited (LTL)
LTL was acquired by the GLAH in August 2018 and operates under the Financial Services and Markets Act 2000 authorisation and provides treasury management services to the GLA, its functional bodies (except TfL). GLAH is the sole member and holds shares totalling £125,000.

In 2019/20 the GLA paid £ 367k to LTL.

At 31 March 2020, LTL's net assets totalled £180k.

London Power Co. Limited (LPC)
LPC is a private company limited by shares. It was incorporated on 19 July 2019, issued one £1 share and GLAH is the sole shareholder. LPC has contracted the services of energy supplier Octopus Energy Limited to provide gas and electricity to Londoners.

LPC has not been consolidated into GLAH's group accounts on materiality grounds.

In 2019/20, the GLA made a long-term loan advance of £1.1m to LPC, and recharged services of £45k for the period Jan to March 2020.

In the current reporting period LPC surrendered tax losses to GLAP resulting in group tax relief of £202k. See Note 16 for further details.

Transactions with ultimate parent

GLAP
During the year, the Greater London Authority (GLA) charged GLAP £6.6m for staff, accommodation and other overhead costs (£5.6m in 2018/19).

Notes to the Financial Statements

Loans from GLA to GLAP total £579m at 31 March 2020 (£535m at 31 March 2019) with interest of £19.4m payable to the GLA in respect of these loans and in-year temporary borrowing (£14.7m in 2018/19) (see notes 21 and 22 for further details).

At 31 March 2020, GLAP had £7.3m surplus cash on deposit with the GLA.

LTL and LPC transactions with the GLA are reported above.

Transactions with joint venture

Barking Riverside Limited
Barking Riverside Limited is a joint venture between London & Quadrant New Homes Limited and GLA Land and Property Limited.
The joint venture company is leading on the delivery of the new Barking Riverside neighbourhood. The site is being remediated and site wide infrastructure developed to allow the release of plots for residential and commercial development.

GLA Land and Property Limited holds 49% of the share capital and 50% of the voting rights. The Executive Director of Housing and Land at the Greater London Authority and a Senior Area Manager from the GLA's Housing and Land directorate are two of the five directors of Barking Riverside Limited.

GLAP acquired, from the Homes and Communities Agency, two loan investments provided to Barking Riverside Limited at 31 March 2020 these loan advances totalled £35.6 (see note 12). This includes £0.7m interest receivable which has been rolled-up and added to the loan principal.

In 2018/19, a loan facility of £48m was approved to part fund rail infrastructure at the Barking Riverside development site; of this £35.6m was advanced (see Note 12) as at 31 March 2020.

Transactions with Associates

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

At 31 March 2020, GLAP holds 96.4% of the RoDMA shares and 38.98% of the voting rights. It is understood that the Department for Environment Food and Rural Affairs transferred to the London of Newham, the special share which gave it control over key decisions; GLAP therefore has significant influence but does not control RoDMA. RoDMA is held as an associate in GLAP's financial statements but, as it was acquired at nil cost, there is no carrying value in GLAP's accounts.

During 2019/20, £0.5m was payable to RoDMA for service charges and insurance and a contribution towards the refurbishment costs of RoDMA Pontoon.

Other related parties

Greenwich Peninsula Estate Management Limited

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

- There were no transactions between GLAP and Greenwich Peninsula Estate Management Limited in the year ended 31 March 2020.

Real Lettings Property Fund 2 LP (RLPF2)

RLPF2 was registered as a limited partnership in December 2016 and the fund was launched in January 2017 with LB Croydon, LB Lambeth and LB Westminster joining as limited partners. The target size for the RLPF2 is over £100m up to a maximum of £200m by January 2019. A fund of £100m should allow the purchase, refurbishment, letting and management of around 330 affordable homes.

On 26 March 2018, GLAP became a limited partner and at 31 March 2020 GLAP had made a capital contribution of £1.9k and an interest free loan of £18.4m.

30. Events occurring after the reporting date

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