
London & Continental Railways Limited

Group Report and Accounts 31 March 2019

Company registration number 2966054



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Chairman's Statement

I am pleased to present our annual report for 2018/19, a year in which we have continued to display strong performance in all our business areas.

With our ethos of culture and creativity we continue to deliver DfT and wider government policy objectives (homes, jobs and sustainable growth) through creative place-making, development and regeneration of brown-field assets, generating social value for the communities in which we work.

I am pleased that this ethos is shared by so many of our stakeholders and collaboration partners. During the year we have entered into collaboration agreements with Transport for Greater Manchester (TfGM) and Network Rail, both of which involve identifying and unlocking regeneration and development opportunities at and around station locations. I believe such arrangements are capable of being replicated at other locations across the rail network and in other conurbations.

On behalf of LCR's shareholder, I would like to thank all our employees for their hard work and commitment to our shared interest in generating social value for the long-term. Our people's personal efforts, insights and commitment are what make this company great. Together, we have all built something special in this company and we all have reason to be proud.

Thank you also to the Group's Board of Directors. In 2019, I joined as Chairman and we will be welcoming another new Board Member Michael Dunn as Chair of the Audit & Risk Committee in August 2019. David Joy left the Board in March 2019 after having served as Chief Executive Officer since 2011. I would like to extend my sincere appreciation to David for his work; he has left LCR in a much stronger place, transforming it from a railway owner into one of the most successful regeneration and property development companies in the country. I would also like to thank my predecessor Lorraine Baldry, who after eight years left the Board in January 2019. Tim Garnham was appointed Interim Chairman following Lorraine's departure and I thank him for his leadership in that role and his support as I have transitioned into the role of Chairman.

Lastly, I would like to thank Nicky Wilden for her work as a non-executive director and Chair of the Audit & Risk Committee. Nicky will retire from the Board in August 2019 after eight years of service. Michael Dunn will succeed her as Chair of the Audit & Risk Committee in August 2019.

Peter Hawthorne was appointed as Interim Chief Executive in April 2019 and I thank him for the leadership he has demonstrated. Peter's appointment and the hard work of the Executive team have ensured continuity in what is a complex and challenging business environment. The search for LCR's next chief executive is moving forward and an appointment is expected to be made in the coming year.

The performance of the LCR team in 2018/19 bodes well for our continued success.

Nick Markham
Chairman
24 June 2019



Directors & Secretary**Directors**

T C Garnham
P Hawthorne
N F Markham
A L Reeves
N J Wilden

Secretary

P Hawthorne

Registered Office
4th Floor, One Kemble Street
London
WC2B 4AN

Strategic Report

Summary of Trading

The LCR Group remains a debt-free business with significant property development interests in the Stratford City regeneration schemes, and in development schemes that are at an earlier stage of maturity. Group profit this year is derived primarily from the profit performance of the commercial office properties, from the revaluation of investment property, LCR's share of the results in its joint ventures and the release of the onerous lease provision in respect of the Axis building in Birmingham.

Key performance indicators

The Group recorded a profit before tax of £47.5m (2018: £18.9m) in the year reflecting in particular the following key elements:

- A share of the profits of the Stratford Partnership for the year of £16.6m (2018: £14.3m);
- Release of the onerous lease provision of £40.3m (2018: £nil) at the Axis;
- This has been offset by a £28.9m decrease (2018: £0m) in fair value at the Axis.
- There was an increase of £6.1m (2018: £1.7m increase) in fair value across the other investment properties.
- The profit performance of the commercial office properties £8m (2018: £7m).

The directors consider that the share of profits from Stratford Partnership and profits from the performance of the commercial properties are the key performance indicators of the business.

UK economy

The changing economic environment and the outlook for the UK property market consequent upon the UK's decision to leave the EU has remained an area of focus for the Board throughout the year. LCR has sought to mitigate any potential economic risk. The Group owns a high quality portfolio of industrial and commercial assets, diverse in geography and sector exposure. The majority of tenants are public sector, providing greater rental security. Long-term leases and active credit control processes are in place to mitigate against tenant default. LCR has no debt and enters JVs to share risk.

Property development

Development Strategy

Working in partnership with both the public and private sectors, and through proactive stewardship of our own assets, LCR facilitates the delivery of homes, jobs and economic growth through the regeneration and development of sites associated with transport infrastructure and other government assets.

The assets under LCR management and active development have the potential for around 4,400 new homes and 6.8 million sq. ft of commercial space, could support circa 40,000 jobs and generate £2.8bn Gross Value Added for the UK economy.

Strategic Report (continued)

Property development (continued)

Axis

During the year LCR acquired the leasehold interests at the Axis, Birmingham at a combined cost of £51.8m. LCR intends to proceed with Phase 1 of the Axis redevelopment programme. Phase 1 will include construction of one new building on the north west corner of the site, the demolition of the existing Axis building and the construction of a new public square in the centre of the site. The LCR Board will then be able to consider options for the remainder of the site.

Stratford

During the year the Group has continued to hold its 50% interest in the Stratford City joint venture with Lend Lease (SCBDL). This is one of the UK's largest mixed-use schemes on a 22 acre site with outline planning consent already in place for 4 million sq. ft. of flexible commercial office space, 333 new homes, and 275,000 sq. ft. of hotel space with associated retail, childcare facilities and community uses, all within a unique parkland setting.

So far, the joint venture has delivered 333 units of residential and completed and sold two offices (S5 & S6). S6 was pre-let to TfL for 268,000 Sq. ft. and then sold to Deutsche Asset Management. The majority of S5 was pre-let to FCA and then sold to Legal & General.

The construction of the third office block is underway and is due to be completed in July 2019, pre-lets having been secured in 2017 with British Council and Cancer Research UK. In June 2018, the building was sold to Deutsche Wealth Services.

In the year, further lettings were agreed with the Nursing and Midwifery Council and Unicef.

Lend Lease and LCR are in discussions with a range of potential occupiers about the remaining office plots and it is expected that the whole development will be completed by 2025.

The Group's share of the results of SCBDL amounted to a profit of £16.6m in the year (2018: £14.3m). No dividend was received in the current year or the prior year. All profits are used to re-invest in the JV.

Manchester Mayfield

LCR formed the Mayfield Partnership with Manchester City Council and Transport for Greater Manchester to deliver the regeneration of the Mayfield quarter adjacent to Manchester Piccadilly Gate station. The Partnership's vision is for Mayfield to become a distinctive new urban quarter that will define a key gateway for central Manchester.

Strategic Report (continued)

Property development (continued)

Manchester Mayfield (continued)

The Mayfield Partnership has entered into a joint-venture with U+I to take the development forward. LCR's land interests in the Mayfield area were drawn down in May 2017 by the joint venture (split 50:50 between the Mayfield Partnership and U+I).

The plans envisage a 24 acre mixed use development that is expected to deliver 800,000 sq. ft. of grade A office space, together with up to 1,330 homes, a 350 bedroom hotel, retail and leisure facilities and a new six acre city park centered along a remediated River Medlock. It will reshape and extend the city towards Manchester Piccadilly railway station building on the benefits of the Northern Hub and HS2 initiatives and explore how a combination of public and private sector investment might be used to best advantage.

Activation of the Mayfield site commenced in June 2017 with the provision of interim uses. The Strategic Regeneration Framework (SRF) for Mayfield, produced originally in 2014, was revised in 2018 and adopted by Manchester City Council

Post Balance Sheet Event - Waterloo London

On 26 April 2019, LCR signed a lease agreement with its shareholder, the Department for Transport, for a retail development at Waterloo International Terminal. Construction works have started, and the Waterloo London development is expected to be welcoming its new tenants in 2021.

Managed Estate

The Managed Estate comprises office buildings in Birmingham, Croydon, London and Manchester, together with a business park in Derby and Leake Street Arches. The estate in total equates to circa 1,024,000 sq. ft., and has generated £23m of income (including service charges but excluding sales) in the year (2018: £17m), and £8m of operating profit (2018: £7m).

The properties are managed through managing agents and are let to a mix of around fifty central government, public sector, railway and private sector tenants. The general strategy is to maximise occupancy through the provision of appropriately specified value for money accommodation for current and prospective tenants. A rolling programme of investment expenditure is required to refresh the accommodation periodically.

LCR received planning permission in November 2015 to transform several of the railway arches underneath the Waterloo terminal. The scheme, which is known as Leake Street Arches, includes 8 arches, totalling 23,350 sq. ft. which are occupied primarily by creative and independent restaurant, bar, and café operators. The first tenants opened for business in April 2018.

Strategic Report (continued)

Services Provided to DfT

LCR continues in the role of Independent Land Adviser for DfT in respect of HS2 Limited's land acquisition programme.

Assets Managed on behalf of DfT

On the abolition of BRBR, Waterloo International Terminal, North Pole Depot and Temple Mills - Bus Depot were transferred to the Department for Transport (DfT). LCR continues to undertake the management of these properties on behalf of DfT.

Financing and future obligations

LCR is working with DfT and Network Rail to bring Waterloo International back into full use. Planning consent was received in November 2016 to create a 135,000 sq. ft. of space for an ambitious mix of independent, high street, and food stores spread across 3 floors. The development will create 700 new jobs, as well as hundreds more during the construction period. The return to operational use of Waterloo International is part of the Wessex Capacity Improvement Programme at Waterloo which is being delivered by Network Rail and will provide the biggest increase in capacity for decades at the UK's busiest station.

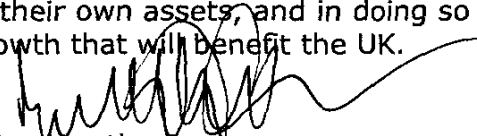
At the year end, LCR had cash resources of £105.4m (2018: £170.9m) and had no debt. LCR's cash resources are expected to fund LCR's activities until the timely realisation of value in its investments and cover LCR's retained liabilities in respect of its legacy matters.

Safety

Safety continues to be of paramount importance for all LCR Group companies. A culture that recognises and practises safety is very important for employees, suppliers, customers, partners and the overall success of the business. The Group is focussed on ensuring the continuing safety and security of its staff, assets, properties and development sites.

The Future

Over the last 18 months LCR has established partnerships and collaboration arrangements with various transport and local authorities across the UK. Through these arrangements LCR aims to unlock developments at and around transport assets through the deployment of experience and capability gained from developing LCR's own assets. We now look forward to working with our partners to realise their vision for development of their own assets, and in doing so facilitate the delivery of homes, jobs and economic growth that will benefit the UK.



Peter Hawthorne
Interim Chief Executive
24 June 2019

Corporate Governance

Board Changes during the year

There have been a number of changes to the Board during the year. The Chief Executive, David Joy, retired on 28 March 2019. Peter Hawthorne was appointed as Interim Chief Executive on 1 April 2019. On 1 April 2018 Alex Reeves was appointed Non-Executive Director. On 11 January 2019 Lorraine Baldry retired as Chairman. From 11 January 2019 to 1 April 2019 Tim Garnham was Interim Chairman. On 2 April 2019 Nick Markham was appointed Chairman of LCR. On 11 August 2019 Nicky Wilden will resign as Non-Executive Director. On 12 August 2019 Michael Dunn will be appointed Non-Executive Director.

The Directors set out in this report how the principles of good governance are applied within LCR. The Company is a private limited company and during the year the Secretary of State for Transport was the sole shareholder in the Company.

Whilst LCR are not required to comply with the UK Corporate Governance Code ('the Code'), LCR has taken account of the Code to develop its governance procedures. The Company complies with the principles and provisions set out in the Corporate Governance Code provided always that such principles and provisions are appropriate in a company similar in nature to the Company.

LCR operates under a Financial Framework Agreement with the Department for Transport, which was last renewed in October 2016, and whose provisions include:

- Governance of LCR by DfT;
- LCR's Board and general principles;
- LCR's Budget, Business Plan and Reports;
- Principles governing the LCR/DfT relationship.

The Workings of the Board and its Committees

The Board met eight times in the year. The Board ensures the Group has adequate funding in place by monitoring (through regular reporting from the Executive Directors) the sources and levels of funding available to the Group. Board members receive management accounts of the Group and a written report on funding at each Board meeting. During the year the Board comprised the Non-Executive Chairman (Lorraine Baldry), Chief Executive (David Joy), Finance Director (Peter Hawthorne), the Senior Independent Non-Executive Director (Tim Garnham) and two other Non-Executive Directors (Nicky Wilden and Alex Reeves). Tim Garnham was chairman of the Remuneration Committee and Nicky Wilden chaired the Audit & Risk Committee.

The dates of the LCR Board Meetings and the attendances at them are set out below:

Name	19/4/18	9/5/18	12/6/18	12/7/18	19/9/18	19/11/18	24/1/19	21/3/19
L I Baldry	✓	✓	✓	✓	✓	✓	n/a	n/a
T Garnham	✓	✓	✓	✓	✓	✓	✓	✓
D Joy	✓	✓	✓	✓	✓	✓	✓	✓
P Hawthorne	✓	✓	✓	✓	✓	✓	✓	✓
N J Wilden	✓	✓	✓	✓	✓	✓	✓	✓
A Reeves	✓	✓	✓	✓	✓	✓	✓	✓

Corporate Governance (continued)

The Workings of the Board and its Committees (continued)

The Non-Executive Directors meet without the Executives present from time to time. At all times during the year, the number of Non-Executive Directors on the Board exceeded the number of Executive Directors.

The Non-Executive Directors, with their wide range of backgrounds and experience, are of sufficient calibre and character to bring independent judgment to bear on issues of strategy, performance, resources and standards of conduct, with particular experience relating to property transactions. The Directors consider that during the year Tim Garnham, Alex Reeves, Lorraine Baldry and Nicky Wilden are all independent. Nick Markham and Michael Dunn were appointed after the year end.

Appropriate insurance cover is in place in respect of legal action against the Group's Directors.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that the Board procedures and applicable rules and regulations are followed. The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Directors can take independent professional advice at the expense of the Group if they consider it necessary.

The Non-Executive Directors have a responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. All Directors receive appropriate and timely information to enable them to fulfil their duties; briefing papers are distributed to all Board members by the Company Secretary in advance of meetings.

Audit and Risk Committee

The Audit & Risk Committee comprises all the Non-Executive Directors of the Company and during the year all members of the Committee were considered by the Directors to be independent.

The dates of the Audit & Risk Committee meetings and the attendances at them are set out below:

Name	19/4/18	9/5/18	12/6/18	12/7/18	19/9/18	19/11/18	24/1/19	21/3/19
L I Baldry	✓	✓	✓	✓	✓	✓	n/a	n/a
T Garnham	✓	✓	✓	✓	✓	✓	✓	✓
N J Wilden	✓	✓	✓	✓	✓	✓	✓	✓
A Reeves	✓	✓	✓	✓	✓	✓	✓	✓

At least one member of the Committee has recent and relevant financial experience. The Committee's formal terms of reference were adopted by the Board in 2008 and re-confirmed in 2017. The Committee met eight times in the year. The Committee monitors the integrity of the financial statements of the Group, reviews the internal financial controls and the internal control and risk management systems. It provides a forum for reporting by the Group's external auditor.

Corporate Governance (continued)

Audit and Risk Committee Activities

The Committee meets and/or discusses matters with the external auditor at least once a year without the Executive Directors present. The Audit & Risk Committee is chaired by Nicky Wilden. The Committee considers that it is not necessary for an organisation of LCR's size to maintain an internal audit function in-house. The Committee instead looks to commission independent audits of areas of Audit Committee focus.

During the 2018/19 year, the key issues considered by the Committee were Counter Fraud, Bribery and Corruption, the Risk Register, and assessment of future internal audit priorities.

In 2017/18 Ernst & Young carried out a review of the Company Secretarial activities, their observation was that a number of Company Secretarial activities could be outsourced. In last year's Annual Report, the Company confirmed that it would undertake a selection and appointment for Company Secretarial support during 2018/19. As part of its work this year, the Audit Committee has undertaken this exercise which resulted in the appointment of Jordan's Corporate Law (now known as Vistra Corporate Law) in December 2018.

The Committee has reviewed the annual audit plan and the interim audit procedure report. The Committee has reviewed the risk identification process and audit delivery against the audit plan. It should also be noted that the Finance Director attends Audit and Risk Committee meetings to ensure that auditor performance is communicated effectively. Based on this, the Committee can report that the external audit process is working effectively.

From time to time the Group may ask the external auditor to provide non-audit professional services. Before doing so, the Group considers the nature of such non-audit services and the appropriateness of receiving them from the external auditor. No non-audit services were provided within the prior or current year by Mazars. In addition, the Audit & Risk Committee receives each year a letter of confirmation from the external auditor confirming that, in its professional judgement, it remains independent within the meaning of its regulatory and professional requirements and that its objectivity is not impaired.

The Committee can therefore confirm that it has discharged its responsibilities appropriately.

Nomination Committee

The Nomination Committee is responsible for all aspects of the appointment of directors of the Company and comprises all non-executive directors. The duties of the Committee and the details about the nomination process are set out in the Committee's Terms of Reference.

Corporate Governance (continued)

Nomination Committee (continued)

The dates of the Nomination Committee meetings and the attendances at them are set out below:

Name	12/6/18	12/7/18	19/9/18	19/11/18	24/01/19	21/03/19
L I Baldry	✓	✓	✓	✓	n/a	n/a
T Garnham	✓	✓	✓	✓	✓	✓
A Reeves	✓	✓	✓	✓	✓	✓
N J Wilden	✓	✓	✓	✓	✓	✓

Remuneration Committee

The Remuneration Committee comprises all non-executive directors and is chaired by Tim Garnham. Formal terms of reference of the Committee were adopted by the Board in 2008 and re-confirmed by DfT in 2016. The Committee met four times in the year. The Board has delegated to the Committee responsibility for setting the remuneration of all Executive Directors including pension rights and any compensation payments. It recommends and monitors the level and structure of remuneration for senior management. The Board as a whole considers the remuneration of the Non-Executive Directors.

The dates of the Remuneration Committee meetings and the attendances at them are set out below:

Name	12/6/18	12/7/18	19/9/18	19/11/18	21/03/18
L I Baldry	✓	✓	✓	✓	n/a
T Garnham	✓	✓	✓	✓	✓
A Reeves	✓	✓	✓	✓	✓
N J Wilden	✓	✓	✓	✓	✓

The remuneration of the Executive Directors is designed to align their interests with the objectives of the Group including its corporate objectives, and to incentivise them to perform at the highest level. The levels of remuneration for the Non-Executive Directors reflect their time commitment and responsibilities of their role, including the chairmanship of committees of the Board.

Share options are not available to the Directors.

The Group has not adopted a formal policy on the duration of Executive Directors' service contracts, which in practice have no fixed termination date, but which provide for periods of notice of termination on either side. Non-Executive Directors typically serve for a three year period, which in line with the Code can be extended twice.

Risk

The Group seeks to continuously improve its risk management and operates an agreed Risk Management Framework. This sets out the Group's approach to the management of

Corporate Governance (continued)

Risk (continued)

corporate risk, the roles and responsibilities in respect of risk management and the process by which risks are assessed and, if appropriate, escalated.

The Executive Committee, which meets formally each month, supports the Chief Executive in day-to-day identification of risks and in the management of risks in accordance with the framework. The Executive Committee reports to the Audit & Risk Committee and the Board with regards to the management of the high level corporate risks.

The Audit & Risk Committee reviews the effectiveness of the risk framework to ensure that the aims, objectives and key targets of the Company are achieved in the most economic and effective manner.

The Audit & Risk Committee carries out an annual assessment of the robustness of risk management processes. The most recent review was carried out at the January 2019 meeting. Risk management processes were found to be robust.

The Board through the Audit & Risk Committee and Executive Directors is responsible for ensuring that high standards of corporate governance are observed at all times and that an appropriate and active risk management framework remains in place. The Board agrees and periodically reviews the management of the corporate level risks and provides leadership on risk management engendering a "no surprises" culture regarding risk within the organisation.

Internal Control

The Accounting Officer for LCR is Peter Hawthorne, the Interim Chief Executive, who shares with the Board of LCR the responsibility for maintaining a sound system of internal control that supports the achievement of the Company's objectives and acts to safeguard the public funds and the Group's assets for which he is responsible, in accordance with the responsibilities under the Government document 'Managing Public Money'.

The Audit & Risk Committee is responsible for assessing the Company's system of internal control, for reviewing its effectiveness, and for making recommendations on internal control issues to the Board. The internal control systems are designed to provide reasonable, though not absolute, assurance against the risks faced by the business including material misstatement, loss and fraud.

The Board retains responsibility for financial risk identification and compliance matters and receives regular reports in all these areas including treasury and investment matters. Formal control is exercised through a management structure which includes clear lines of accountability and documented financial delegations of authority from the Board. These are subject to periodic review.

The Group's overall management process integrates the role of the Board, its Committees and the LCR Executive Committee which meets monthly to consider all key business issues including safety. The Group prepares an annual budget, performance against which is actively monitored by the Board.

Corporate Governance (continued)

Internal Control (continued)

The system of internal financial controls in LCR is monitored by the Finance Director and the Chief Executive who are accountable to the Audit & Risk Committee. In addition, the external auditor reports to the Audit & Risk Committee matters regarding internal financial

controls which arise as a result of its audit work. No material weaknesses in the system of internal financial control have been identified by these reviews.

The Group is required to undertake a regular review of its internal control systems. The review process within LCR continues throughout the year. To the extent that significant risks, failings or control weaknesses arise during the year, appropriate action is taken to rectify the issue and implement controls to mitigate further occurrences. The external auditors report to Audit & Risk Committee on control weaknesses identified during the course of the year end audit. The audit process in respect of the financial results for the year ending 31 March 2019 did not identify any significant control weaknesses

The Group is required to assess its financial viability over a period significantly longer than 12 months. The Board carries out this task by undertaking an annual review of the LCR business plan. Following the review of the business plan, which took place in March 2019, the Board is satisfied that these accounts be prepared on a going concern basis.

Directors' Report

The Directors present their report, together with the accounts of the Group for the year ended 31 March 2019.

Principal activities

The London & Continental Railways Group had the following main activities which were carried out through the Company, its subsidiaries and associates:

- to manage our portfolio of assets to deliver on the Government's drive for homes, jobs and growth;
- to manage the Group's interests in the redevelopment of the substantial sites at Stratford and Manchester Mayfield through joint venture arrangements;
- to extract optimum value from the Group's property assets;
- to manage certain assets on behalf of DfT;
- to develop our property assets; and
- to settle remaining ex-HS1 property interests and obligations.

Basis of preparation

The financial statements are prepared under International Financial Reporting Standards as adopted by the EU.

The Directors consider that the report and accounts, taken as a whole, are fair, balanced, and understandable.

Going Concern

The Board has undertaken a review of the LCR business plan. Following the review, which took place in March 2019, the Board is satisfied that these accounts be prepared on a going concern basis. The Directors also consider the going concern basis to be appropriate because the Group and Company have adequate cash reserves to settle their obligations and has the support of its shareholder to invest in the pursuit of its business objectives. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Results and dividends

LCR's Consolidated Statement of Comprehensive Incomes is set out on page 23 and shows a profit before tax for the year of £47.5m (2018: £18.9m).

During the year, a dividend of £nil (2018: £25m) was paid to DfT.

Post balance sheet event

On 26 April 2019, LCR signed a lease agreement with its shareholder, the Department for Transport, for a retail development at Waterloo International Terminal. Further information pertaining to the accounting for this lease agreement is included in Notes 28 and 29 to the consolidated Financial Statements.

Directors' Report (continued)

Review of business and future developments

The statement on pages 3 to 6 sets out the review of business and future developments.

LCR is owned by the Secretary of State for Transport and continues to operate in line with a Financial Framework Agreement which was last updated by the DfT in October 2016.

LCR expects to continue to derive investment growth and income from its property development and investment interests.

Government classification

LCR is a public corporation and has been a wholly-owned entity of the Secretary of State for Transport since 2009 when the Group's shares were acquired by the Secretary of State and the Group's Government-guaranteed debt was taken into the public sector.

Financial instruments

The main financial instruments the Group holds at 31 March 2019 are:

- cash deposits, and short term investments held with fund managers; and
- trade debtors, trade creditors, and other instruments incidental to the Group's operations.

The Group holds cash in order to fund both its legacy obligations and its ongoing property-related activities. Funds not immediately required for the Group's operations are invested at fixed and floating interest rates, either through managed funds or Group-managed deposits, all denominated in sterling. The types of financial instrument used for investment purposes must be approved in advance by the Board prior to obtaining the consent of the Secretary of State. The Board also sets down limits, both in terms of capital invested and market price risk, for this activity. During the year, the only investment instruments held were listed debt securities and bank deposits.

The risks arising from the Group's financial arrangements are low, but there remains a degree of interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group was debt free throughout the year with surplus funds invested at market rates.

Directors' Report (continued)

Liquidity risk

The Group's objective is to ensure that sufficient funding is available for the exploitation of its property portfolio and for remaining legacy liabilities.

The funds which are not being used currently have been invested in managed funds with a range of maturities to match commitments.

Currency risk

At 31 March 2019 the Group has minimal exposure to currency risk.

Credit risk

The Group's surplus cash is deposited in highly-rated listed debt securities and bank deposits. This is not considered to present a material credit risk.

Directors and their interests

The Directors who served during the year, and to the date of the approval of this report and accounts unless stated otherwise, were as follows:

Executive Directors

D Joy	(Chief Executive) (resigned 28 March 2019)
P Hawthorne	(Finance Director) (appointed Interim Chief Executive on 1 April 2019)

Non-Executive Directors

LI Baldry	(Non-executive Chairman) (resigned 11 January 2019)
T Garnham	(Interim Non-executive Chairman) (appointed 12 January 2019 resigned 1 April 2019, resumed non-Executive Director role on 2 April 2019)
N F Markham	(Non-executive Chairman) (appointed 2 April 2019)
AL Reeves	(Appointed 1 April 2018)
NJ Wilden	

No Director has had, at any time, any interest in the shares of any Group company.

Charitable and political donations

No charitable or political donations were made during the year (2018: £nil).

Directors' Report (continued)

Employee practice

The Group is a non-discriminatory employer operating an equal opportunities policy, committed to the employment and promotion of all staff based on merit, without regard to race, colour, sex, marital status or disability. Where appropriate, training is adjusted to cater for an individual's disability and the disabled share the same conditions of services as other staff in relation to career development and promotion.

The Group is committed to effective employee communication which is achieved by meetings and regular briefing sessions. By these means employees are systematically provided with information on matters concerning them, achieving a common awareness of factors affecting the Group's performance.

Health and safety

The Group's policies and procedures relating to health and safety at work recognise the requirements of current legislation and are kept under constant review to ensure a safe working environment for all associated staff. The Group has a commitment to improve continually its performance in the areas of health and safety. LCR has a Safety Committee that reports into the Executive Committee. All health and safety matters are reported at each Board meeting.

Environment and sustainability

Through the LCR Sustainability Policy, the Group recognises the importance of its environmental responsibilities and has processes in place to manage its environmental effects and those of its contractors. It is committed to doing this diligently. The Group is implementing an environmental management system and sets targets to drive continual improvement. Targets currently include energy efficiency and waste recycling.

LCR reports its energy consumption to the Environment Agency as part of the CRC Energy Efficiency Scheme. Environmental Permits are held for the Marley and Factory Farm closed landfill sites, which continue to be managed in accordance with the permit requirements. The Group has a commitment to continually improve its performance in matters of the environment.

Equality

LCR is an equal opportunities employer and our range of employment policies and guidelines reflects legal and employment requirements in the UK and safeguards the interests of employees, potential employees, and other workers. We do not condone unfair treatment of any kind and offer equal opportunities in all aspects of employment and advancement regardless of race, nationality, gender, age, marital status, sexual orientation, and disability, religious or political beliefs.

Directors' Report (continued)

Slavery

Modern slavery is a crime and violation of fundamental human rights. LCR has a zero-tolerance approach.

Security of Assets

LCR is committed to the safeguarding of both physical assets and information assets. All staff have been provided with guidance on security of physical assets through the LCR corporate manual and health and safety policies and procedures. LCR's IT policies and procedures provide guidance on the protection of information assets.

Disclosure of information to the auditor

Each of the Directors at the date of the approval of the financial statement confirms that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each 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 auditor is aware of that information.

BY ORDER OF THE BOARD



P Hawthorne
Company Secretary
Registered Office: One Kemble Street, London WC2B 4AN
24 June 2019

LONDON & CONTINENTAL RAILWAYS LIMITED
COMPANY REGISTRATION NO: 2966054

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that its 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

To the member of London & Continental Railways Limited

Opinion

We have audited the financial statements of London and Continental Railways Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Consolidated Statement of Comprehensive Income, the Statement of Financial Position – Group, the Statement of Changes in Equity - Group, the Statement of Cash Flows – Group, the Statement of Financial Position – Company, the Statement of Changes in Equity - Company, the Statement of Cash Flows – Company and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- 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. We are independent of the 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.

Independent Auditor's report To the member of London & Continental Railways Limited (continued)

Use of the audit 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.

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 directors are responsible for the other information. The other information comprises the information included in the Group Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's report To the member of London & Continental Railways Limited (continued)

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 the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the 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 the 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 specific 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 Statement of Directors' Responsibilities set out on page 18 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.

LONDON & CONTINENTAL RAILWAYS LIMITED
COMPANY REGISTRATION NO: 2966054

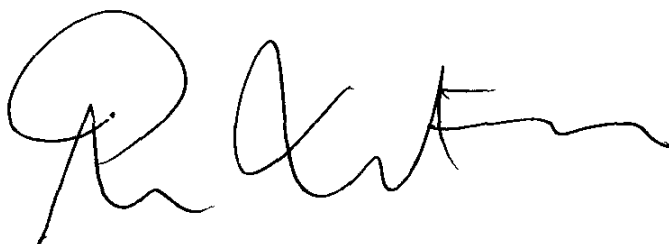
Independent Auditor's report
To the member of London & Continental Railways Limited
(continued)

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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Richard Metcalfe (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Date: 15/7/2019

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	<i>Note</i>	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Revenue	2	31,526	20,443
Cost of sales		(13,077)	(11,145)
Gross profit		18,449	9,298
Administrative expenses		(6,137)	(6,788)
(Decrease) / increase in valuation of investment property and inventories	9	(22,791)	3,415
Profit on disposal of property assets held for sale	10a	-	422
Release / (increase) in provisions, obligations, and accruals	3, 15	40,334	(1,715)
Operating profit		29,855	4,632
Net financial income / (expense)	6	1,034	(69)
Share of gain of joint venture	10a	16,638	14,343
Profit before tax		47,527	18,906
Taxation	7	(14,639)	131
Profit for the year		32,888	19,037
Other comprehensive income:			
Items that may subsequently be reclassified to profit or loss			
- Share of joint venture (interest rate hedge)	23	-	21
Total comprehensive income		32,888	19,058
Profitable attributable to Equity holder of the parent		32,888	19,058

All items of Group income are derived from continuing operations.

The notes on pages 30 to 60 are an integral part of these consolidated financial statements.

LONDON & CONTINENTAL RAILWAYS LIMITED
COMPANY REGISTRATION NO: 2966054

Statement of Financial Position - Group

As at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Non-current assets			
Property, plant and equipment	8	24	36
Investment property	9	210,348	166,435
Investment in joint venture	10a	68,716	50,818
Receivable from related parties	12	17,995	18,033
		297,083	235,322
Current assets			
Inventories	11	9	9
Trade and other receivables	12	11,316	7,941
Cash and cash equivalents	13	105,431	170,855
		116,756	178,805
Total assets		413,839	414,127
Current liabilities			
Trade and other payables	14	(19,024)	(22,446)
Non-current liabilities			
Deferred tax liability	7	(15,582)	(5,113)
Provision for liabilities and charges	15	-	(40,334)
Other liabilities	16	(111)	-
		(15,693)	(45,447)
Total liabilities		(34,717)	(67,893)
Net assets		379,122	346,234
Equity attributable to equity holder of the parent			
Share capital	18	958	958
Share premium	20	47,667	47,667
Capital redemption reserve	21	21,448	21,448
Retained earnings	22	249,855	216,967
Capital Contribution	22	59,194	59,194
Total equity		379,122	346,234

These financial statements were approved by the board of directors on 24 June 2019 and were signed on its behalf by:



P Hawthorne

Interim Chief Executive

Company Registered Number: 2966054

The notes on pages 30 to 60 are an integral part of these consolidated financial statements.

Statement of Changes in Equity – Group

For the year ended 31 March 2019

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Hedge Reserve £'000	Retained Earnings & capital contributions £'000	Total Equity £'000
Balance at 1 April 2017	958	47,667	21,448	(21)	282,124	352,176
Comprehensive income:						
Profit for the year	-	-	-	-	19,037	19,037
Other comprehensive income	-	-	-	-	-	-
Hedge adj. re joint venture	-	-	-	21	-	21
Total comprehensive net income for the year	-	-	-	-	19,037	19,058
Dividend to parent					(25,000)	(25,000)
Balance at 31 March 2018	958	47,667	21,448	-	276,161	346,234
Balance at 1 April 2018	958	47,667	21,448	-	276,161	346,234
Profit for the year	-	-	-	-	32,888	32,888
Other comprehensive income	-	-	-	-	-	-
Total comprehensive net income for the year	-	-	-	-	309,049	379,122
Dividend to parent	-	-	-	-	-	-
Balance at 31 March 2019	958	47,667	21,448	-	309,049	379,122

The notes on pages 30 to 60 are an integral part of these consolidated financial statements.

LONDON & CONTINENTAL RAILWAYS LIMITED
COMPANY REGISTRATION NO: 2966054

Statement of Cash Flows – Group

For the year ended 31 March 2019

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Cash flows from operating activities		
Profit for the year	32,888	19,037
Adjustments for:		
Depreciation and amortisation	90	115
Write-off of project development costs	-	309
Change in value of investment property	22,791	(3,415)
(Financial income) / expense	(1,034)	69
Share of profit of equity-accounted investments	(16,638)	(14,343)
Release of accruals and provisions	(3,002)	-
Movement in onerous lease provision	(40,334)	1,715
Gain on sale of investment property/inventory	(7,418)	(2,566)
Gain on sale of assets held for resale	-	(422)
Taxation	14,639	(131)
Spreading of lease incentives	(835)	-
(Increase) / decrease in underlying trade and other receivables	(2,465)	15,632
(Decrease) in underlying trade and other payables	(3,092)	(2,038)
Interest received	1,050	650
Tax paid	(1,462)	-
Net cash (used in) / generated from operating activities	(4,822)	14,612
Cash flows from investing activities		
Acquisition of investment property and property, plant and equipment	(66,761)	(17,567)
Sale of investment property and inventory	6,159	993
Net cash from investing activities	(60,602)	(16,574)
Cash flows from financing activities		
Dividend paid to parent	-	(25,000)
Net cash from financing activities	-	(25,000)
(Decrease) in cash and cash equivalents	(65,424)	(26,962)
Cash and cash equivalents at 1 April	170,855	197,817
Cash and cash equivalents at 31 March	105,431	170,855

The notes on pages 30 to 60 are an integral part of these consolidated financial statements.

LONDON & CONTINENTAL RAILWAYS LIMITED
COMPANY REGISTRATION NO: 2966054

Statement of Financial Position – Company

As at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Non-current assets			
Property, plant and equipment	8	24	36
Investment property	9	115,531	75,159
Investments in subsidiaries	10b	30,084	30,084
Receivable from related parties	12	54,746	57,359
Deferred tax asset	7	-	4,211
		200,385	166,849
Current assets			
Inventories	11	9	9
Trade and other receivables	12	9,054	6,339
Cash and cash equivalents	13	105,431	170,855
		114,494	177,203
Total assets		314,879	344,052
Current liabilities			
Trade and other payables	14	(15,440)	(19,814)
Non-current liabilities			
Provision for liabilities and charges	15	-	(40,334)
Payable to related parties	14	(13,797)	(13,405)
Deferred tax liability	7	(5,779)	-
Other liabilities	16	(111)	-
		(19,687)	(53,739)
Total Liabilities		(35,127)	(73,553)
Net assets		279,752	270,499
Equity attributable to equity holder of the parent			
Share capital	18	958	958
Share premium	20	47,667	47,667
Capital redemption reserve	21	21,448	21,448
Retained earnings	22	150,485	141,232
Capital Contribution	22	59,194	59,194
Total equity		279,752	270,499

These financial statements were approved by the board of directors on 24 June 2019 and were signed on its behalf by:



P Hawthorne
Interim Chief Executive

The notes on pages 30 to 60 are an integral part of these financial statements.

LONDON & CONTINENTAL RAILWAYS LIMITED
COMPANY REGISTRATION NO: 2966054

Statement of Changes in Equity – Company

For the year ended 31 March 2019

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Retained Earnings & capital contributions £'000	Total Parent Equity £'000
Balance at 1 April 2017	958	47,667	21,448	223,607	293,680
Comprehensive income:					
Profit for the year	-	-	-	1,819	1,819
Total comprehensive income for the year	-	-	-	1,819	1,819
Dividend to parent	-	-	-	(25,000)	(25,000)
Balance at 31 March 2018	958	47,667	21,448	200,426	270,499
Balance at 1 April 2018	958	47,667	21,448	200,426	270,499
Comprehensive income:					
Profit for the year	-	-	-	9,253	9,253
Total comprehensive income for the year	-	-	-	9,253	9,253
Dividend to parent	-	-	-		
Balance at 31 March 2019	958	47,667	21,448	209,679	279,752

The notes on pages 30 to 60 are an integral part of these financial statements.

Statement of Cash Flows – Company

For the year ended 31 March 2019

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Cash flows from operating activities		
Profit for the year	9,253	1,819
<i>Adjustments for:</i>		
Depreciation	90	115
Write-off of project development costs	-	309
Change in value of investment property	25,952	(4,077)
Financial income	(1,034)	69
Release of accruals and provisions	(3,002)	-
Movement in onerous lease provision	(40,334)	1,715
Spreading of lease incentives	(788)	-
Gain on disposal of investment property/inventory	(8,677)	(4,138)
Taxation	14,173	(1,023)
(Increase) / decrease in trade and other receivables	(2,498)	16,994
Increase / (decrease) in trade and other payables	2,075	(1,444)
Interest received	1,050	650
Tax paid	(1,462)	-
Net cash (used in) / generated from operating activities	(5,202)	10,989
Cash flows from investing activities		
Acquisition of investment property and property, plant and equipment	(66,381)	(13,944)
Sale of investment property and inventory	6,159	993
Net cash flow from investing activities	(60,222)	(12,951)
Cash flows from financing activities		
Dividend to DfT	-	(25,000)
Net cash from financing activities	-	(25,000)
(Decrease) in cash and cash equivalents	(65,424)	(26,962)
Cash and cash equivalents at 1 April	170,855	197,817
Cash and cash equivalents at 31 March	105,431	170,855

The notes on pages 30 to 60 are an integral part of these financial statements.

Accounting Policies

1. Reporting entity and basis of preparation

London & Continental Railways Limited (the "Company") is a private company incorporated, registered, and domiciled in the United Kingdom. The registered number is 2966054 and the registered address is included on Page 1.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"), and equity account for the Group's interest in associates and jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not about its group.

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements. The parent company made a profit after tax of £9,253k in the year.

As permitted under IFRS 1, upon its transition to IFRS the Group elected to use the previous UK Generally Accepted Accounting Practice ("UKGAAP") valuation as the deemed cost for all property, plant and equipment.

Impact of standards and interpretations implemented

A number of new standards and amendments to standards have been implemented in the year. The most significant of these, and their potential impact on the Group's accounting, are set out below:

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. This standard applies to annual reporting periods beginning on or after 1 January 2018 and has been endorsed by the EU. This standard replaces IAS 18 Revenue. The scope of IFRS 15 includes all contracts where LCR has agreed to provide goods or services to a customer, except for Leases (IFRS 16). The adoption of this standard has not resulted in any amendments to the Group accounting policies and has had no material impact on the Group's consolidated financial statements for the current and prior periods.

Accounting Policies (continued)

IFRS 9, Financial Instruments

In July 2014, the IASB published IFRS 9, Financial Instruments which replaced IAS 39 Financial Instruments: Recognition and Measurement. The standard incorporates new classification and measurement requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the income statement. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach. The impact of the adoption of IFRS 9 has not resulted in amendments to the Group accounting policies and has had no material impact on the Group's consolidated financial statements for the current and prior periods.

Standards not effective

A number of new standards have been issued, but are not yet effective for LCR, their adoption is not expected to have a material effect on the financial statements unless, otherwise indicated. These standards are as follows:

IFRS 16, Leases

In January 2016, the IASB published IFRS 16 Leases which will replace IAS 17 Leases. IFRS 16 introduces a definition of a lease with a single lessee accounting model eliminating the classification of either operating or finance leases. Lessees will be required to account for all leases in a similar manner to the current finance lease accounting recognising lease assets and liabilities on the statement of financial position. Lessor accounting remains similar to current practice. The impact of the adoption of IFRS 16 has been assessed by the Group, it will result in the recognition of a right-to-use asset and corresponding lease liability, which is estimated at approximately £3.3 million, in the year when the standard becomes effective.

IFRIC 23, Uncertainty over Income Tax Treatments

In June 2017, the IASB published IFRIC 23 Uncertainty over Income Tax Treatments. The standard is effective for annual reporting beginning on or after 1 January 2019.

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

In February 2018, the IASB published Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments are effective for annual reporting beginning on or after 1 January 2019.

Accounting Policies (continued)

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

In October 2017, the IASB published Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28). The amendments are effective for annual reporting beginning on or after 1 January 2019.

Annual Improvements to IFRS Standards 2015-2017 Cycle

These improvements consist of amendments to four IFRSs including IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income taxes and IAS 23 Borrowing Costs. The amendments are effective for annual reporting beginning on or after 1 January 2019.

Amendments to References to the Conceptual Framework in IFRS Standards

Published by the IASB in March 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020.

Amendment to IFRS 3, Business Combinations, IAS 1 and IAS 8: Definition of material

Published by the IASB in October 2018. The amendments are effective for annual reporting beginning on or after 1 January 2020.

1.1 Basis of measurement

The financial statements are prepared on the historical cost basis except that investment property is stated at fair value.

1.2 Going concern

LCR's principal activities, together with factors likely to affect its future development, performance, and position are set out in the 'Strategic Review', 'Corporate Governance' and 'Directors' Report'. The financial position of the Group and its liquidity position are described in the 'Directors' Report' and in the notes to the accounts.

The financial statements are prepared on a going concern basis, in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain non-current assets. The Directors have carried out a review of the LCR business plan and are satisfied that these accounts be prepared on a going concern basis. The Directors also consider the going concern basis to be appropriate because the Group has adequate cash reserves to settle its obligations.

1.3 Basis of consolidation

The Company adopts IFRS 10, 11, and 12.

Subsidiaries

The Group's accounting policy for determining whether it has control over and consequently whether it consolidates its investees follows IFRS 10. IFRS 10 introduces a

Accounting Policies (continued)

1.3 Basis of consolidation (continued)

control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

Joint Arrangements – Joint Ventures

Under IFRS 11, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has joint control and rights to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

A Joint Venture is a joint arrangement whereby the Group has joint control and has rights to its share of the net assets of the arrangement. Joint ventures are accounted for under the equity method. The balance sheet incorporates the Group share of the net assets of the joint venture. The consolidated statement of comprehensive income incorporates the share of the joint venture's profit after tax.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50 % of the voting power of another entity. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

1.4 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Plant and equipment 3 years
- Fixtures and fittings 5 years

Accounting Policies (continued)

1.4 Property, plant and equipment (continued)

Property under construction

Investment property and property assets under construction are recorded at cost and subsequently revalued at the balance sheet date to fair value as determined by professionally qualified external valuers on the basis of market value.

No depreciation is charged on an asset under construction.

1.5 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value.

The investment property portfolio is externally valued on an open market basis each year by independent valuers in accordance with the RICS regulations. The valuations are prepared by considering the value in existing use together with the value to be derived from planned developments, discounted to reflect inherent risks, and taking into account where appropriate net rental yields and development and other costs.

Occasionally, investment property may be valued internally by management. These valuations are undertaken through management's knowledge of the property and compared to movements in the valuation of similar assets.

Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income. Rental income from investment property is accounted for as described in the revenue accounting policy (note 1.14).

1.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

1.7 Financial instruments

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity financial assets and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

Accounting Policies (continued)

1.7. Financial instruments (continued)

The Group's financial assets consist of loans, receivables and cash held by third parties.

Financial assets recognised in the consolidated statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Financial assets

Cash and cash equivalents are also classified as receivables. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired, unless the asset is carried at fair value through profit or loss as fair value already reflects counterparty non-performance risk. If there is objective evidence the asset is tested for impairment.

Financial liabilities

Liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest method. Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted as its impact would be insignificant.

1.8. Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Cash collected on the Company's behalf by property managing agents has been accounted for within trade and other receivables as cash held by third parties.

1.9. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.10. Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Accounting Policies (continued)

1.11. Impairment excluding inventories, investment properties and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Financial assets (including receivables)

Provision for impairment is calculated as a percentage of debtors outstanding over a period of 60 days which are deemed to be irrecoverable. The Group undertook a review of bad debts as prescribed by IFRS 9, where a provision for impairment is recognised under the 12 month and lifetime expected credit loss models. During this process the probability of the non-payment of the trade receivables was assessed. This probability was then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. The method adopted by the company provided results not materially different to results achieved by applying IFRS 9 guidance and therefore the company's policy remained appropriate. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income, when there is objective evidence that the asset is impaired.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

1.12. Employee benefits

Defined benefit pension

All the Group's employees are eligible to participate in the retirement and death benefits scheme which are provided for by payments to a section of the Railways Pension Scheme (RPS), a shared-cost defined benefit scheme. Contributions to the Scheme are paid in accordance with the Scheme's rules. Contributions to the Scheme are expensed as incurred (as would be the case with a defined contribution scheme) because the assets of the shared-cost scheme cannot be separated between employers.

Accounting Policies (continued)

1.12 Employee benefits (continued)

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.13. Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation because of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.14. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Property sales

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent there are significant uncertainties regarding recovery of the consideration due or associated costs.

Rental income

Rental income from operating leases and investment properties is recognised on a straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

1.15. Expenses

Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Financing income and expenses

Financing income comprises interest receivable on funds invested and dividend income. Financing expenses comprise interest payable. Borrowing costs that are directly

Accounting Policies (continued)

1.15. Expenses (continued)

Financing income and expenses (continued)

attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payments is established.

Administrative expenses and Cost of sales

Administrative expenses and cost of sales are accounted for on an accruals basis.

Change in disclosure

During the year the directors decided to reclassify certain costs relating to the property activities of the Group and Company from Administrative Expenses to Cost of Sales. In their opinion, the reclassification of property costs, would provide more relevant information about the effects of transactions and financial performance to the users of the financial statements. As this change had no impact on the Group and Company's reserves or balances, no restatement of prior year numbers was necessary.

1.16. Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Accounting Policies (continued)

1.17. Government Grants

The Group received government grants related to the refurbishment of several buildings at RTC Derby. Government grants are recognised when it is reasonably certain that the conditions related to receiving the grants have been met or will be met and that the grants have been or will be received. Grants contributing to the cost of an asset are deducted from the asset's cost and reflected in the depreciation throughout the useful life of the asset.

1.18. Critical Accounting Policies

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of the Group's accounting policies, which are described in note 28, and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The key source of estimation and uncertainty is property valuations.

The fair value of the investment property is typically determined by an independent real estate valuation expert primarily using comparable recent market transactions on arm's length terms. Notes 9 and 28 provide further details on the judgements and assumptions made.

Notes to the Financial Statements (continued)

2. Revenue

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Property sales	7,418	2,566
Investment property rentals and sundry income	24,108	17,877
Total revenues	31,526	20,443

3. Expenses and auditor's remuneration

Included in operating results are the following:

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Onerous lease provision P&L movement (Note 15)	40,334	(1,715)
Depreciation and amortisation	(90)	(58)
Pension costs (Note 17)	(627)	(593)
Operating lease payments	(1,139)	(1,952)

Auditor's remuneration:

Audit of these financial statements	39	38
Audit of financial statements of subsidiaries of the Company	9	8
	48	46

4. Staff numbers and costs

The average number of persons employed by the Group including executive directors (but excluding non-executive directors) during the year was as follows:

	Year ended 31 March 2019	Year ended 31 March 2018
Property management and corporate	44	42

The aggregate payroll costs of these persons were as follows (Group and Company):

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Wages and salaries	3,030	3,763
Social security costs	436	389
Expenses related to defined benefit and contribution plans	627	596
Other staff costs	613	482
	4,706	5,230

Notes to the Financial Statements (continued)

5. Directors' remuneration

	Year ended 31 March 2019	Year ended 31 March 2018
	£	£
Directors' emoluments	839,395	613,108
Company contributions to defined benefit pension plans	47,741	46,980
Amounts paid to third party in respect of director's services	35,000	35,000
	<u>922,136</u>	<u>695,088</u>

The emoluments and pension contributions of the highest paid director are £556k (2018: £321k).

	Number of Directors 31 March 2019	31 March 2018
Retirement benefits are accrued to the following number of directors under:		
Defined benefit schemes	<u>2</u>	<u>2</u>

As at 31 March the sum of accrued annual pension for the 2 directors is £30k (2018: £25k) and their accrued lump sum is £28k (2018: £23k).

The directors consider the Executive Directors as being the key management personnel.

6. Net Finance Income/(Expense)

Recognised in the statement of comprehensive income

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Interest income on unimpaired financial assets, comprising cash and cash equivalents	1,034	650
Less:		
Unwinding of discount on provisions (Note 15)	-	(719)
Total finance income /(expense)	<u>1,034</u>	<u>(69)</u>

Notes to the Financial Statements (continued)

7. Taxation

Recognised in the income statement

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Current tax		
Current year charge	4,170	288
Deferred tax	10,469	(419)
Total tax charge / (credit) for the year	14,639	(131)

Reconciliation of effective tax rate

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Profit before taxation	47,527	18,906
Tax using the UK corporation tax rate of 19% (2018: 20%)	9,030	3,592
Effects of:		
Taxable timing differences	10,414	(858)
Non-taxable expense / (income)	109	(110)
Share of gains of associates and joint venture not subject to tax in LCR	(2,922)	(2,805)
Prior year adjustment	(760)	-
Change in tax rate	(1,232)	50
Total tax charge / (credit) for the year	14,639	(131)

Notes to the Financial Statements (continued)

7. Taxation (continued)

Deferred tax assets and liabilities – Group and Company

The deferred tax liabilities / (assets) recognised at the current reporting date, and the movement thereon during the year, are as follows:

	Investment property	Tax losses	Onerous lease provision	Total
Group	£'000	£'000	£'000	£'000
At 1 April 2018	11,556	-	(6,443)	5,113
Charge / (credit) to income	6,825	(2,799)	6,443	10,469
At 31 March 2019	18,381	(2,799)	-	15,582

	Investment property	Tax losses	Onerous lease provision	Total
Company	£'000	£'000	£'000	£'000
At 1 April 2018	2,232	-	(6,443)	(4,211)
Charge / (credit) to income	6,346	(2,799)	6,443	9,990
At 31 March 2019	8,578	(2,799)	-	5,779

The company has an unrecognised deferred tax asset of approximately £118m (2018: £117m), arising from significant accumulated losses which have the potential to offset future profits of the Group, which has not been recognised due to uncertainty over the timing of future loss utilisation.

The Finance Act 2016, which reduced the UK corporation tax rate to 17%, effective 1 April 2020 was substantively enacted on 6 September 2016. Therefore the corporation tax rate of 17% has been applied in calculating the unrecognised deferred tax asset.

Notes to the Financial Statements (continued)

8. Property, plant and equipment – Group and Company

	Plant and Equipment £'000
Cost	
Balance at 31 March 2018	537
Additions	21
Balance as at 31 March 2019	<u>558</u>
Depreciation and impairment	
At 31 March 2018	(501)
Depreciation charge for the year	(33)
Balance as at 31 March 2019	<u>(534)</u>
Net book value	
At 31 March 2019	<u>24</u>
At 31 March 2018	<u>36</u>

Property, plant and equipment has not been subject to impairment or reversal of impairment.

9. Investment property – Group

	Investment Property 2019 £'000	Investment Property 2018 £'000
Balance at 1 April	166,435	160,358
Additions	66,761	17,561
Disposals	-	(14,842)
Amortisation	(57)	(57)
Revaluation loss - Axis	(28,893)	-
Revaluation gain - other properties	6,102	3,415
Balance at 31 March	<u>210,348</u>	<u>166,435</u>

This year there was a revaluation increase of £6.1m across the Group's investment properties excluding the Axis. During the year the Group acquired the head lease interests at the Axis which gave rise to the onerous lease obligation. The purchase of the head lease interests enabled the subsequent reversal of the onerous lease provision that was in existence. At the balance sheet date, the property was subsequently revalued on the basis of market value by our valuers which has resulted in a revaluation loss of £28.9m.

Notes to the Financial Statements (continued)

9. Investment property – Group (continued)

The Group incurred pre-development costs during the year on its project at Waterloo International Terminal in advance of the lease being signed. On 26 April 2019, LCR signed a lease agreement with its shareholder, the Department for Transport, for this development. The directors have assessed the accounting treatment of the lease asset by reference to IAS 40 Investment Properties and have recognised the development as an investment property at year end. Further information is shown in Note 28.

Most of the Group's investment property is valued at each reporting date by the Group's independent valuers GVA in accordance with 'The RICS Valuation- Professional Standards (2012)'. Valuations are undertaken on the basis of the market value of each site, taking into account where appropriate the current use and planning conditions.

The marketability and hence saleability of certain of the investments may be impacted by the HS2 rail link proposals, the valuation opinion is based on no adverse impact.

IFRS 13 requires enhanced disclosures about assets and liabilities that are measured and reported at fair value and establishes a hierarchical disclosure framework which prioritises and ranks the level of market price observability used in measuring investments at fair value. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

The Group has concluded that the investment properties should be categorised as Level 3 fair value based on the inputs to the valuation technique used.

Transfers between levels are deemed to have occurred on the date of the event or the change in circumstance that caused the transfer. There was no movement or transfer between level 1, level 2, level 3 investments during the year ended 31 March 2019 (2018: none).

The Group received government grants related to the improvement works at RTC Derby. Government grants are recognised when it is reasonably certain that the conditions related to receiving the grants have been met or will be met and that the grants have been or will be received. Grants contributing to the cost of an asset are deducted from the asset's cost and reflected in the depreciation charge throughout the useful life of the asset.

Notes to the Financial Statements (continued)

9. Investment property – Group (continued)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Redbook valuation in accordance with the 'RICS Valuation – Professional Standards (2017)	Void periods (0 to 24 months) Occupancy rate (0 to 100%) Rent-free periods (0 to 24 months) Initial yield (4 to 13%) Level of affordable housing (0 to 50%)	The estimated fair value would increase (decrease) if: Void periods were shorter (longer); The occupancy rate was higher (lower); Rent-free periods were shorter (longer); or The initial yield was lower (higher). The level of affordable housing was lower (higher).

Investment property – Company

	Investment Property 2019 £'000	Investment Property 2018 £'000
Balance at 1 April	75,159	72,042
Additions	66,381	13,939
Disposals	-	(14,842)
Amortisation	(57)	(57)
Revaluation loss - Axis	(28,893)	-
Revaluation gain – other properties	2,941	4,077
Balance at 31 March	115,531	75,159

Investment property is valued at each reporting date by the Group's independent valuers, GVA, in accordance with 'The RICS Valuation – Professional Standards (2017)'.

Valuations are undertaken on the basis of the market value of each site, taking into account where appropriate the current use and planning conditions.

Company investment properties are valued using the same techniques as disclosed for Group in note 9. They are all level 3 assets under IFRS 13.

The Company receives government grants related to the improvement works at RTC Derby. Government grants are recognised when it is reasonably certain that the

Notes to the Financial Statements (continued)

10. Investments in subsidiaries, associates and jointly controlled entities

conditions related to receiving the grants have been met or will be met and that the grants have been or will be received. Grants contributing to the cost of an asset are

deducted from the asset's cost and reflected in the depreciation throughout the useful life of the asset.

The Group and Company have the following main investments in subsidiaries, associates and jointly controlled entities, which are directly and indirectly held:

	Class of shares held	Ownership	
		31 March 2019	31 March 2018
Group:			
Stratford City Business District Limited ¹	Ordinary	50%	50%
LCR St Pancras Chambers Ltd ²	Ordinary	100%	100%
Mayfield Partnership Ltd ²	Ordinary	33.3%	33.3%
Whittles Properties Brunel Ltd ²	Ordinary	100%	100%
Whittles Properties Croydon Ltd ²	Ordinary	100%	100%
Whittles Properties Manchester Ltd ²	Ordinary	100%	100%
RTC Regeneration 2015 Ltd ²	Ordinary	100%	100%
Mayfield Partnership (General Partner) Ltd ³	Ordinary	33.3%	33.3%
Mayfield Partnership Limited Partnership ³	Partnership	33.3%	33.3%

The registered offices are as follows:

¹ 20 Triton Street, Regent's Place, London NW1 3BF

² One Kemble Street, London WC2B 4AN

³ 3 Melville Street, Edinburgh, Scotland EH3 7PE

Company:

The Company's interest in the Stratford City Business District Joint Venture is held via a 100% interest in subsidiary companies LCR Stratford GP Limited and LCR Stratford LP Limited, which in turn hold 100% of LCR Stratford Limited Partnership, which has a 50% holding in Stratford City Business District Limited.

All investment entities are incorporated or registered in England & Wales, apart from Mayfield Partnership (General Partnership) Ltd which is incorporated in Scotland and Mayfield Partnership Limited Partnership which is registered in Scotland.

The Company's cost of investments is set out in note 10(b).

The Mayfield Partnership Limited Partnership was formed in December 2016 between LCR, Manchester City Council and Transport for Great Manchester. LCR and its partners have subsequently entered into a further partnership with U+I, as the private sector development partner, to redevelop the Mayfield area.

Notes to the Financial Statements (continued)

10. Investments in subsidiaries, associates and jointly controlled entities (continued)

10(a) Carrying value of investments in joint ventures – Group

Cost:	JV: Stratford City £'000
At 31 March 2018	50,818
Share of operating profit	16,638
(Deferral) of profit on land sold	(1,259)
Subscription for shares – Land transferred	2,519
At 31 March 2019	68,716

Joint Venture: Stratford City Business District Limited (SCBDL)

SCBDL is a jointly controlled entity because the Group owns 50% of the company, and it shares equally in the strategy and decision-making of SCBDL. SCBDL's principal activity is the redevelopment of lands at Stratford, East London, as a joint venture arrangement between LCR and Lend Lease Europe Limited.

Since SCBDL's accounting reference date is 30 June 2019, LCR apportioned the results accordingly and align these with the accounting period to 31 March 2019. The LCR Group's share of total recognised profit or loss, and the aggregate assets and liabilities of SCBDL, are set out below:

Share of SCBDL results:

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Share of operating profit after tax and non-operating costs	16,638	14,343

Summary financial information on JV SCBDL – 100 per cent:

	31 March 2019 £'000	31 March 2018 £'000
Revenue	227,689	114,843
Profit from continuing operations ¹	33,277	28,686
Total comprehensive Income	33,277	28,728

¹– Depreciation and amortisation of £1,406,588

– Interest expense (net of interest income) of £6,874,510

Notes to the Financial Statements (continued)

10(a) Carrying value of investments in joint ventures– Group (continued)

	31 March 2019	31 March 2018
	£'000	£'000
Current Assets	220,793	194,213
Non-current assets	2,949	4,357
Current liabilities	(20,722)	(19,543)
Non-current liabilities	(58,709)	(73,030)
Net assets (including new share issues)	144,311	105,997

Included in LCR's statement of financial position at 31 March 2019 as an 'asset held for sale' at £1 is a reversionary interest in land whose title transferred to SCBDL in March 2013, but which remains subject to a restrictive charge in favour of LCR.

Sale of land parcels are recognised by LCR as and when drawn-down and paid by SCBDL for use in the JV (see also note 28). SCBDL has until 2024 to exercise the draw-down and payment of part or all of the land.

From a Group perspective 50% of all such profit is deferred as remaining within the Group and is recognised by the Group upon the onward sale of plots by SCBDL. The table below outlines the Group's profit recognition on sale of land parcels.

Year	Transaction	Profit from Sale of Land £'000	Recognised Profit £'000	Release of Deferred profit £'000	Deferred Profit Movement £'000
	Results to 16/17	7,966	3,983	3,561	422
17/18	Release of deferred profit			422	(422)
17/18	Sale of Land to SCBDL	3,146	1,573		1,573
18/19	Release of deferred profit			1,573	(1,573)
18/19	Sale of Land to SCBDL	2,519	1,259		(1,259)
		13,631	6,815	5,556	1,259

Group: sale of assets held for sale:

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Release of deferred profit on land sold to SCBDL JV	-	(422)
Profit on disposal of property assets held for sale	-	422

Notes to the Financial Statements (continued)

10(a) Carrying value of investments in joint ventures – Group (continued)

Joint Venture: Mayfield Development Partnership L.P.

The Mayfield Development Partnership is a 50:50 joint venture arrangement between the public sector (LCR, Manchester City Council and Transport for Greater Manchester) and U+I as development partner. The principal activity is the redevelopment of lands at Mayfield, Manchester, adjacent to Piccadilly Gate Railway Station.

LCR land, with a value of £14m, was drawn down in May 2017. LCR holds a non-interest bearing Loan note of £14m (2018: £14m) in return for the land drawn down in May, with this being recoverable from the Mayfield Development Partnership.

In addition, LCR has a non-current receivable for project costs incurred of £4m (2018: £4m) (Group and Company) which is recoverable from the Mayfield Partnership Limited Partnership.

The public sector partners' share of the Mayfield Development Partnership's operating loss after tax and non-operating costs was £13,168 (2018: loss £2,612).

10(b) Cost of investments – Company's subsidiaries (100% ownership)

	RTC Regeneration 2015 £'000	Whittles Brunel £'000	Whittles Croydon £'000	Whittles Manchester £'000	Total Investments £'000
Balance as at 31 March 2018					
and at 31 March 2019	17,659	2,353	750	9,322	30,084

The principal activity of the subsidiaries was that of investment properties.

11. Inventories – Group and Company

	31 March 2019 £'000	31 March 2018 £'000
Inventories	9	9

12. Financial Instruments by Category – Trade Receivables

	Trade and other receivables 2019 £'000	Trade and other receivables 2018 £'000
Group:		
Assets		
Assets held under amortised cost	11,316	7,941

Notes to the Financial Statements (continued)

12. Financial Instruments by Category – Trade Receivables (continued)

	31 March 2019 £'000	31 March 2018 £'000
Group:		
Trade receivables	5,473	4,920
Cash held by third parties	3,455	2,524
Other trade receivables, prepayments, and accrued income	2,388	497
Receivables due from related parties	17,995	18,033
	<u>29,311</u>	<u>25,974</u>
Less non-current proportion of receivables	(17,995)	(18,033)
	<u>11,316</u>	<u>7,941</u>

	31 March 2019 £'000	31 March 2018 £'000
Group – non-current		
Receivable from related parties	<u>17,995</u>	<u>18,033</u>

	Trade and other receivables 2019 £'000	Trade and other receivables 2018 £'000
Company:		
Assets		
Assets held under amortised cost	<u>9,054</u>	<u>6,339</u>

	31 March 2019 £'000	31 March 2018 £'000
Company:		
Trade receivables	3,816	3,656
Cash held by third parties	3,455	2,524
Receivables due from related parties	54,746	57,359
Other trade receivables, prepayments, and accrued income	1,783	159
	<u>63,800</u>	<u>63,698</u>
Less: non-current proportion of receivables	(54,746)	(57,359)
Current receivables	<u>9,054</u>	<u>6,339</u>

Notes to the Financial Statements (continued)

12. Financial Instruments by Category – Trade Receivables (continued)

The Company's non-current receivables comprise the following loans and receivables with related parties:

Company – non-current	31 March 2019 £'000	31 March 2018 £'000
KXC (LCR) LP Investment Limited	134	134
LCR Stratford Limited Partnership	15,130	12,611
Mayfield Partnership Limited Partnership	3,996	4,033
Mayfield Development Partnership Limited Partnership	14,000	14,000
Whittles property companies	21,486	26,581
	<u>54,746</u>	<u>57,359</u>

Non-current receivables include project costs of £3,996k (2018: £4,033k) (Group and Company) which are recoverable from the Mayfield Partnership Limited Partnership.

13. Financial Instruments by Category – Cash

Group and Company:	31 March 2019 £'000	31 March 2018 £'000
Cash and cash equivalents	<u>105,431</u>	<u>170,855</u>

14. Financial Instruments by Category – Trade Payables

Group - Current:	31 March 2019 £'000	31 March 2018 £'000
Trade payables	2,291	1,976
Other trade payables	2,596	10,761
Corporation tax payable	2,765	57
Non-trade payables accrued expenses and deferred income	11,372	9,652
	<u>19,024</u>	<u>22,446</u>

Notes to the Financial Statements (continued)

14. Financial Instruments by Category – Trade Payables (continued)

	31 March 2019 £'000	31 March 2018 £'000
Company - Current:		
Trade payables	1,784	1,848
Other trade payables	2,595	10,818
Corporation tax payable	2,765	-
Non-trade payables accrued expenses and deferred income	8,296	7,148
	<u>15,440</u>	<u>19,814</u>
	31 March 2019 £'000	31 March 2018 £'000
Company – Non-current:		
Payables due to related parties	<u>13,797</u>	<u>13,405</u>

Fair values of financial instruments – Group and Company

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date, if the effect of discounting is considered to be material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date, if the effect of discounting is considered to be material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated at its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The fair values of the Group's financial assets and financial liabilities are not materially different to their carrying values.

Notes to the Financial Statements (continued)

14. Financial Instruments by Category – Trade Payables (continued)

Credit Risk

Financial risk management and credit quality

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and cash investments.

Trade receivables at 31 March 2019 do not pose a material credit risk to the Group.

Cash in hand at 31 March 2019 is £105m. Such balances are invested in highly-rated listed debt securities and bank deposits. There is not considered to be a material credit risk.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and cash investments.

Trade receivables at 31 March 2019 do not pose a material credit risk to the Group.

Liquidity Risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk is low as the Group has an excess of cash reserves over obligations. The adequacy of the Group's funding reserve is reviewed by the Board on a regular basis. Trade and other payables are all less than one year.

Market Risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Fair values of financial instruments – Group and Company

The Group is exposed to market risk only in respect of interest rate risk on its cash reserves, which vary with market rates. No interest rate hedging is considered appropriate. The Group has no interest-bearing borrowings.

Notes to the Financial Statements (continued)

14. Financial Instruments by Category – Trade Payables (continued)

Fair values of financial instruments – Group and Company (continued)

Capital management

The capital structure of the group consists entirely of shareholder's equity, with no external borrowings.

It is not anticipated that the Group will require external borrowings for the foreseeable future, due to its cash reserves. The Group does not have a credit rating and is wholly owned by the UK Government.

15. Provision for liabilities and charges – Group and Company

	Onerous Lease £'000
Balance as at 31 March 2017	37,900
Charged to the statement of comprehensive income	945
Utilised in the year	770
Unwinding of discount rate	719
Balance as at 31 March 2018	40,334
Credited to the statement of comprehensive income	(40,334)
Balance as at 31 March 2019	-

Following the transfer of the net assets of BRB (Residuary) Limited in September 2013, the Group inherited an onerous lease obligation on the Axis office building in Birmingham. During the year the Group acquired the head lease interests which gave rise to the onerous lease obligation. The purchase of the head lease interests enabled the subsequent reversal of the onerous lease provision that was in existence.

16. Other non-current liabilities – Group and Company

	31 March 2019 £'000	31 March 2018 £'000
Group – Non- current:		
Deferred income	111	-

Deferred income represents notional interest on project costs which are recoverable from the Mayfield Partnership Limited Partnership when the Partnership earns a profit.

Notes to the Financial Statements (continued)

17. Employee benefits

The Group's pension arrangements are provided by a section of the Railways Pension Scheme, which all employees are eligible to join.

Railways Pension Scheme

The Group is a member of the British Rail Shared Cost section of the Railways Pension Scheme (RPS), having transferred-in the assets and accrued rights relating to LCR staff and those of its former subsidiary Channel Tunnel Rail Link Limited ('CTRLL') in 2011.

The Group has no reliable and consistent method to identify its share of the assets and liabilities of the defined benefit pension scheme in which it participates, and accordingly its defined benefit pension costs are accounted for on a defined contribution payment basis.

The Group's RPS contributions are charged to the statement of comprehensive income as incurred and for the year were £351k (2018: £317k). All contributions were fully paid up at 31 March 2019. The Group pays a supplementary RPS contribution of £276k (2018: £276k) as its share of the deficit reduction plan for the scheme.

18. Share capital – Group and Company

	31 March 2019 £	31 March 2018 £
3,831,983 Ordinary shares of 25 pence each	957,996	957,996

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company.

19. Dividends – Group and Company

	31 March 2019 £'000	31 March 2018 £'000
Dividends declared to Ordinary Shareholder	-	25,000

During the year, the Board approved a dividend payment of £nil to DfT (2018: £25m).

20. Share premium – Group and Company

	31 March 2019 £'000	31 March 2018 £'000
At beginning and end of year	47,667	47,667

Notes to the Financial Statements (continued)

20. Share premium – Group and Company (continued)

Share premium is the amount by which the fair value of the consideration received for ordinary shares exceeds the nominal value of shares issued, net of expenses.

21. Capital redemption reserve – Group and Company

	31 March 2019 £'000	31 March 2018 £'000
At beginning of and end of year	21,448	21,448

The capital redemption reserve is a statutory, non-distributable reserve into which amounts were transferred following the purchase of the company's own shares.

22. Retained earnings and capital contribution

Group:	31 March 2019 £'000	31 March 2018 £'000
At 1 April	276,161	282,124
Profit for year	32,888	19,037
Dividend to parent	-	(25,000)
Total	309,049	276,161

Company:	31 March 2019 £'000	31 March 2018 £'000
At 1 April	200,426	223,607
Profit for year	9,253	1,819
Dividend to parent	-	(25,000)
Total	209,679	200,426

Retained earnings are the cumulative gains and losses recognised in the Statement of Comprehensive Income.

Capital introduced by parent

BRB (Residuary) Limited was abolished under the Public Bodies Act 2011 on 30 September 2013. Net assets with a fair value of £59.2m were transferred to LCR. This transaction has been treated as a capital contribution of £59.2m within the financial statements.

Notes to the Financial Statements (continued)

23. Hedge reserve

Group:	31 March 2019 £'000	31 March 2018 £'000
At 1 April	-	21
Other comprehensive income of joint ventures:		
SCBDL hedge provision	-	(21)
Total	-	-

24. Operating Leases – Group & Company

(a) Operating lease commitments – Group as lessee

The future aggregate minimum lease payments under this non-cancellable operating lease are as follows:

	31 March 2019 £m	31 March 2018 £m
Due for repayment within 1 year	-	2
Between 1 and 2 years	-	2
Between 2 and 5 years	3	6
In 5 years or more	49	476
Total	52	486

(b) Operating lease receipts – Group as lessor

The Group receives rental income on several office and commercial premises under non-cancellable operating lease agreements.

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	31 March 2019 £m	31 March 2018 £m
Due to be received within 1 year	12	10
Between 1 and 2 years	11	10
Between 2 and 5 years	20	19
In 5 years or more	20	12
Total	63	51

Notes to the Financial Statements (continued)

25. Commitments and contingencies – Group and Company

Capital commitments

The Group has contracted capital commitments of £42.5m at 31 March 2019 (2018: £nil).

Contingencies

The Group is from time to time party to or affected by legal proceedings and claims and enters into guarantees, financing arrangements and commitments which are in the ordinary course of business, including claims by residents close to HS1 for disturbance and loss of property value arising since the opening of the HS1; the obligation for such claims was transferred to the Company in 2008. It is not possible to predict with certainty the results of these claims, but the Directors, taking into account counter-claims, claims against third parties, provisions in the accounts, and having due regard to professional advice, do not anticipate that the outcome of these proceedings, claims, guarantees, financing arrangements and commitments, either individually or in aggregate, will have a materially adverse effect upon the Group's financial position.

In connection with LCR's contract to complete the sale of land to SCBDL at a pre-agreed price at the option of SCBDL, a profit of nil was released in the 18/19 and £422k in 17/18. LCR's residual interest in the land is held as an 'asset held for sale' at cost of £1, as explained in note 10a.

Non-current receivables include project costs of £3,996k (2018: £4,033k) (Group and Company) which are recoverable from the Mayfield Partnership Limited Partnership.

26. Related parties – Company and directors

During the year David Joy purchased goods to the value of £4k, this related party transaction was made on terms equivalent to those that prevail in arm's length transactions.

27. Parent undertaking and controlling party

At 31 March 2019 and 31 March 2018, the Company's sole shareholder was the Secretary of State for Transport (Great Minster House, 33 Horseferry Road, Westminster, London SW1P 4DR). The Secretary of State for Transport has a fixed and floating charge over all assets of the Company.

Notes to the Financial Statements (continued)

28. *Accounting estimates and judgements*

The Group's investment properties are carried at fair value, which necessarily means that estimates are used in determining the carrying value of non-current assets. Key assumptions include the expected yield from properties, anticipated rents, planning permissions, development costs and the rate of inflation; such assumptions are advised by the group's independent valuers. In determining fair value the valuers make reference to market evidence and recent transaction prices for similar properties. Details of the valuation methodology and key assumptions are given in note 9. Management consider the significant assumptions to the valuation of investment properties to be development costs, estimated rental values and market based yields.

Following the transfer of the net assets of BRB (Residuary) Limited in September 2013, the Group inherited an onerous lease obligation on the Axis office building in Birmingham. During the year the Group acquired the head lease interests which gave rise to the onerous lease obligation. The purchase of the head lease interests enabled the subsequent reversal of the onerous lease provision that was in existence.

On 26 April 2019, LCR signed a lease agreement with its shareholder, the Department for Transport, for a retail development at Waterloo International Terminal. The directors have assessed the accounting treatment of the lease asset by reference to IAS 40 Investment Properties and have recognised the development as an investment property at year end, as prior to year end an agreement for lease had been signed with its shareholder for the retail development, a construction contract had been let and an anchor tenant had signed an agreement for lease.

Interest in land at Stratford with a cost of £1 is classified as 'asset held for sale' (note 10a) as it is highly probable that its value will be realised through the completion of future sales.

29. *Post balance sheet event*

On 26 April 2019, LCR signed a lease agreement with its shareholder, the Department for Transport, for a retail development at Waterloo International Terminal.

LCR Stratford Limited Partnership

Report and Accounts

31 March 2019

Partnership registration number LP 14107

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 02966054

LCR STRATFORD LIMITED PARTNERSHIP
PARTNERSHIP REGISTRATION NUMBER LP 14107

Registered Office and Partners

Registered Office

4th Floor, One Kemble Street
London
WC2B 4AN

General Partner

LCR Stratford GP Limited

Limited Partner

LCR Stratford LP Limited

LCR STRATFORD LIMITED PARTNERSHIP

PARTNERSHIP REGISTRATION NUMBER LP 14107

General Partner's report

The General Partner presents their report together with the audited accounts of the Partnership, for the year ended 31 March 2019.

Principal activity and business review

LCR Stratford Limited Partnership ('the Partnership') is a Limited Partnership established in 2010 and registered in England under the Limited Partnership Act 1907. The principal activity of the Partnership is to oversee the development of land interests adjacent to Stratford International Station, East London ('the Land'), which are owned by the parent of its General Partner, London & Continental Railways Limited ('LCR').

The Partnership will share in the longer-term development of the Land through its 50% interest in Stratford City Business District Limited ('SCBDL'), which is a joint venture company established with Lend Lease Europe Limited. SCBDL will undertake the development work, with land from LCR and with services and funding from Lend Lease. SCBDL's activities will be limited to the ownership, development, sale, management and letting of property adjacent to Stratford International Station, East London. Substantial areas of Land have been sold by LCR to SCBDL to date.

During the year to 31 March 2019, the Partnership declared a profit distribution of £nil to LCR Stratford LP Limited (2018: £nil).

Any administrative costs for the year were borne by the parent undertaking, LCR.

Auditors

The Company was dormant throughout the year within the meaning of section 1169(1) of the Companies Act 2006, and accordingly these accounts are not subject to audit.

By order of the Board



P Hawthorne
For and on behalf of LCR Stratford GP Limited
29 July 2019

LCR STRATFORD LIMITED PARTNERSHIP
PARTNERSHIP REGISTRATION NUMBER LP 14107

Statement of the General Partner's responsibilities

The General Partner is responsible for preparing the financial statements in accordance with applicable law and regulations.

The Partnerships (Accounts) Regulations 2008 require the General Partner to prepare partnership financial statements for each financial year in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the General Partner has elected to prepare the partnership financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the General Partner 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 partnership and of the profit or loss of the partnership for that period. In preparing these financial statements, the General Partner is required to:

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

The General Partner has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the partnership and to prevent and detect fraud and other irregularities.

Statement of Comprehensive Income

For the year ended 31 March 2019

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Dividend from joint venture	-	-
Results for the period before tax	-	-
Taxation	-	-
Results for the period after tax	-	-

The notes on pages 8 to 10 form an integral part of these financial statements.

LCR STRATFORD LIMITED PARTNERSHIP
PARTNERSHIP REGISTRATION NUMBER LP 14107

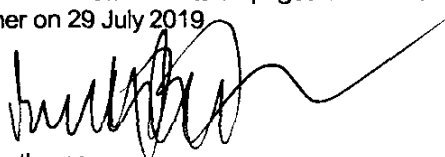
Statement of Financial Position

As at 31 March 2019

	Note	31 March 2019 £	31 March 2018 £
FIXED ASSETS			
Investments	3	15,130,685	12,611,637
CURRENT ASSETS			
Debtors	4	1	1
TOTAL ASSETS		15,130,686	12,611,638
Creditors: amounts falling due after more than one year	6	(15,130,685)	(12,611,637)
NET ASSETS		1	1
CAPITAL AND RESERVES			
Partners' capital	5	1	1
Partners' funds		-	-
		1	1

The notes on pages 8 to 10 form part of these financial statements.

The financial statements on pages 5 to 10 were approved and authorised for issue by the General Partner on 29 July 2019.


P Hawthorne
For and on behalf of LCR Stratford GP Limited

LCR STRATFORD LIMITED PARTNERSHIP
 PARTNERSHIP REGISTRATION NUMBER LP 14107

Cash Flow Statement

The Partnership does not have cash flows. The Partnership's parent, London and Continental Railways Ltd collects income and pays all expenses on behalf of the Partnership. This is reflected by movements in the inter-group entity transactions.

Statement Changes in Partners' Accounts

for the year ended 31 March 2019

	Note	Partners' Capital	Partners' Earnings	Total
		£	£	£
Balance at 31 March 2018		1	-	1
Comprehensive income:				
Profit for the year		-	-	-
Partnership profit distribution		-	-	-
Balance at 31 March 2019		1	-	1

The notes on pages 8 to 10 form an integral part of these financial statements.

LCR STRATFORD LIMITED PARTNERSHIP
PARTNERSHIP REGISTRATION NUMBER LP 14107

Notes to Financial Statements

As at 31 March 2019

1. Principal accounting policies

a) Accounting convention

The accounts are prepared in accordance with applicable accounting standards and under the historic cost accounting rules.

b) Financial instruments

Financial assets and financial liabilities are recognised on the Partnership's statement of financial position when the Partnership becomes a party to the contractual provisions of the instruments.

- **Trade receivables and other receivables**

Trade receivables are measured at initial recognition at fair value and are measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

- **Trade payables**

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

c) Revenue recognition

Revenue represents amounts receivable in respect of rental and service charge income.

d) Income tax

Income tax on the profit or loss for the year comprises current tax and deferred tax.

Current tax is the tax expected to be payable on the taxable profit for the year calculated using tax rates enacted.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the statement of financial position and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the year in which the assets will be realised or the liabilities settled.

e) Going Concern

The financial statements are prepared on a going concern basis in accordance with applicable accounting standards. The Directors have carried out a review of the LCR Group business plan at the Board meeting in March 2016 and are satisfied that the accounts be prepared on a going concern basis. The Directors also consider the going concern basis to be appropriate because the Group has adequate cash reserves to settle its obligations.

LCR STRATFORD LIMITED PARTNERSHIP

PARTNERSHIP REGISTRATION NUMBER LP 14107

Notes to Financial Statements (continued)

2. Audit Fee

An audit fee of £nil was payable for the year (2017: £nil).

3. Investments

	31 March 2019 £	31 March 2018 £
£1 Ordinary shares in Stratford City Business District Limited (SCBDL)	15,130,685	12,611,637

Shares in SCBDL are beneficially held by the Partnership, and reflected as investments above. The Partnership is unable to hold corporate shares; the shares in SCBDL are therefore registered to LCR Stratford GP Limited in its capacity as General Partner.

The Partnership subscribed for an initial 1.5 million £1 shares at par in January 2011, and 1,485,634 £1 shares were issued in December 2011, upon the first transfer of LCR's land to SCBDL. On 26 March 2013 6,480,529 £1 shares in SCBDL were issued upon completion of the second unconditional land transfer from LCR to SCBDL. On 3 May 2017 3,145,474 £1 shares in SCBDL were issued upon completion of the third unconditional land transfer from LCR to SCBDL. On 3 May 2017 3,145,474 £1 shares in SCBDL were issued upon completion of the third unconditional land transfer from LCR to SCBDL.

On 17 January 2019 1,818,424 £1 shares in SCBDL were issued upon completion of the fourth unconditional land transfer from LCR to SCBDL. On 1 February 2019 700,624 £1 shares in SCBDL were issued upon completion of the fifth unconditional transfer from LCR to SCBDL.

During the year to 31 March 2018, the Partnership did not declare a profit distribution payable to LCR Stratford LP Ltd. (2017: £20m).

4. Debtors

	31 March 2019 £	31 March 2018 £
Amount owed by LCR Stratford LP Limited	1	1
Amount owed by London & Continental Railways Ltd	-	-
	<u>1</u>	<u>1</u>

The fair value of debtors approximates to the book value.

5. Partners' capital

	31 March 2019 £	31 March 2018 £
LCR Stratford LP Limited	<u>1</u>	<u>1</u>

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

	31 March 2019 £	31 March 2018 £
Amount due to parent undertaking of the General Partner	15,130,685	12,611,637
The fair value of creditors approximates to the book value.		

LCR STRATFORD LIMITED PARTNERSHIP
PARTNERSHIP REGISTRATION NUMBER LP 14107

Notes to Financial Statements (continued)**7. Parent undertaking and controlling parties**

The sole Limited Partner is LCR Stratford LP Limited, and LCR Stratford GP Limited acts as the General Partner; both companies are incorporated in England and Wales. The ultimate parent undertaking is the Secretary of State for Transport.

The largest group in which the results of the Partnership are consolidated is that headed by LCR, a company incorporated in England and Wales. The financial statements of LCR are available from the registered office at One Kemble Street, London, WC2B 4AN.

8. Related party transactions**a) Partnership profit distribution**

There was no profit distribution to the Partnership during the year.

b) Directors' compensation

The directors of the company are employees of the parent Company, London and Continental Railways Ltd (LCR). The directors did not receive remuneration directly from LCR Stratford LP Limited Partnership for their roles. The remuneration can be found in LCR's financial statements.