Public Document Pack

Audit and Risk Management Committee

Date: **TUESDAY, 4 NOVEMBER 2014**

Time: **1.45 pm**

Venue: **COMMITTEE ROOMS, 2ND FLOOR, WEST WING, GUILDHALL**

4. **CITY'S CASH FINANCIAL STATEMENTS**
Report of the Chamberlain.

For Decision
(Pages 1 - 90)

John Barradell
Town Clerk and Chief Executive

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Committees:	Dates:
Audit and Risk Management Committee **Finance Committee**	**4 November 2014** **18 November 2014**
Subject: **City's Cash Financial Statements 2013/14**	**Public**
Report of: **The Chamberlain**	**For Decision**

Summary

Attached at Annex 1, for approval, are the Annual Report and Financial Statements for City's Cash for the year ended 31 March 2014

Annex 2 sets out Moore Stephens LLP's Management Letter for consideration.

The key points are:

- inclusion for the first time of an estimated share of the net liability in the City of London Pension Scheme. The estimated City's Cash share is 49% which was £196.7m at 31 March 2014 (£167.5m at 31 March 2013) ***(these figures are shown in the Consolidated Balance Sheet on page 16 and analysed further in note 16 on pages 45-51)***;
- a change in the accounting treatment for 'non-property' investments following the transfer on 31 January 2014 of four of the six equity funds to pooled investment vehicles. As a consequence, from 1 February the incoming resources within the Income and Expenditure Account now include the gain or loss in fair value of all non-property investments rather than the dividend income. This has a part-year effect in 2013/14 but will have greater impact from 2014/15. Even relatively small movements in the markets from one year to the next will produce large values to be reported as operating gains or losses in the Income and Expenditure Account ***(paragraphs 9 – 11 of this report)***;
- the Consolidated Income and Expenditure Account indicates a net deficit of £6.1m for the year ***(page 15 of the financial statements)***;
- total City's Cash net assets of £1,860.3m, an increase of £199.9m (12%) since last year. This favourable movement comprises net gains on property investments of £196.1m and managed investments of £34.4m, partially offset by £24.5m

being the City's Cash share of the actuarial loss on the pension fund and the £6.1m net deficit on the income and expenditure account ***(the Consolidated Statement of Total Recognised Gains and Losses is on page 18)***;

- the potential contribution of £50m from City's Cash towards the Crossrail Project has been disclosed as a contingent liability in both the annual report ***(page 9)*** and the notes to the financial statements ***(page 58);***
- the outturn for the year was a worse than budget position of £1.9m, the main reasons for which are set out in paragraphs 13 to 17 of this report.

Recommendations

The Audit and Risk Management Committee is requested to:

- consider the contents of Moore Stephens LLP's Management Letter; and
- recommend approval of the City's Cash Financial Statements for the year ended 31 March 2014 to the Finance Committee.

The Finance Committee is requested to:

- consider the contents of Moore Stephens LLP's Management Letter;
- approve the City's Cash Financial Statements for the year ended 31 March 2014 taking account of any observations from the Audit and Risk Management Committee; and
- agree that the Financial Statements are signed by the Chairman and Deputy Chairman of the Finance Committee on behalf of the Court of Common Council.

Main Report

Introduction

1. The 2013/14 Financial Statements for City's Cash are attached at Annex 1. The statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UKGAAP).

2. The external auditor, Moore Stephens LLP intends to give an unqualified opinion on the City's Cash Financial Statements and has issued the management letter set out in Annex 2. The management letter will be distributed to all Members of the Court of Common Council for information. Representatives from Moore Stephens LLP will be in

attendance at the Audit and Risk Management Committee to present their report and to clarify any points or issues.

3. The Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts met on 6 October 2014 to review the processes adopted by Moore Stephens LLP and the Panel intends to certify that those processes were in accordance with the prescribed auditing standards.

City of London Pension Scheme

4. City of London staff excluding police officers, teachers and judges, are eligible to join the Local Government Pension Scheme – a statutory scheme administered in accordance with Government regulations.

5. Previously the City's Cash share of the estimated net deficit on the City of London Pension Scheme had not been included in the balance sheet. This exclusion arose because the estimated net deficit is the responsibility of the City of London as a whole, as one employer, rather than the specific responsibility of any of its three funds. Thus City's Cash does not have an exclusive relationship with the City of London Pension Fund and the proportion of the Pension Fund relating to City of London employee members engaged on City's Cash activities is not separately identifiable. Consequently, in accordance with FRS17, the pension arrangements had been treated as a defined contribution scheme in the City's Cash accounts. This meant that only the employer's contributions to the scheme had previously been included in the accounts.

6. However, although the Pension Fund net deficit cannot be attributed precisely between the City Fund, City's Cash and Bridge House Estates, it is now considered that an apportionment of that deficit and inclusion in the respective balance sheets presents a fairer view of the funds' financial positions than if the deficit were to continue to be excluded. Accordingly an apportionment has been made which is based on employer's annual contributions to the fund.

7. Amounts included for 2012/13 have also been restated from those published last year to include City's Cash estimated proportion of the net Pension Fund deficit. The total net deficit in the City of London Pension Fund was £402m at 31 March 2014 (2012/13: £342m). The estimated proportion of this deficit is £196.7m or 49% (2012/13: £167.5m or 49%). These deficits reduce total reserves at 31 March 2013 and 31 March 2014 as set out in the following table.

	31-Mar-14	31-Mar-13
	£m	£m
Total reserves **prior** to change in accounting treatment	2,057.0	1,827.9
Less City's Cash estimated proportion (49%) of the Net Pension Fund Deficit	196.7	167.5
Total reserves **after** change in accounting treatment	1,860.3	1,660.4

8. Pension fund deficits (or surpluses) are relatively sensitive to movements in the underlying assumptions. The main reasons for the increase in the City of London Pension Fund deficit are a reduction in the discount rate used for calculating the present day value of future payments from the fund – with a decrease in the rate resulting in higher liabilities and vice-versa – together with an increase in longevity; partly offset by an increase in the fund's assets.

Non-Property Investments – Change in Accounting Treatment

9. On 31 January 2014, four of the six equity funds transferred to pooled investment vehicles. Consequently, income generated by these funds remains within those funds to be reinvested, with City's Cash drawing down income as required. As a consequence, from the date of transfer, the Income and Expenditure Account now includes the gain or loss in fair value of all non-property investments rather than the dividend income.

10. In 2013/14 this change has a part year effect. Dividend income is £14.9m for the period from 1 April 2013 to 31 January 2014 and the gain in fair value from 31 January to 31 March is £1.5m. Both of these figures are included in the Income and Expenditure Account. The net gain on managed investments of £34.4m within the Consolidated Statement of Total Recognised Gains and Losses relates only to the period from 1 April to 31 January.

11. In subsequent years, the full effect of this change has the potential to dominate the net operating position. Even relatively small movements in the markets from one year to the next will produce large values to be reported as operating gains or losses in the Income and Expenditure Account.

Consolidated Income and Expenditure Account

Comparison with Previous Year

12. The Consolidated Income and Expenditure Account for the year ending 31 March 2014 shows a net deficit of £6.1m. This compares to a net deficit of £0.3m in the previous year. The main variations are as follows:

- a reduction of £4.4m in net investment income, from £51.5m in 2012/13 to £47.1m in 2013/14. This was due to the change in investment management arrangements outlined above whereby income generated since the transition date is reinvested within the funds and also to a reduction in property rental income. The latter relates to a number of building leases coming to an end and properties being redeveloped or refurbished during the year.
- net expenditure on education has increased by £2.2m to £12.1m. Of this increase, £1.7m relates to the Guildhall School of Music and Drama largely due to temporary additional resources which were agreed to further develop its teaching and learning infrastructure to enable it to take full advantage of the new facilities at Milton Court. The balance of £0.5m is additional net expenditure by the three independent schools.
- net expenditure on markets has reduced from £4.3m in 2012/13 to £0.5m in 2013/14 due to a combination of service charge income following the commencement of new leases at Smithfields and the one-off costs in 2012/13 of establishing new working arrangements at Billingsgate.
- a net increase from £3.5m to £4.1m on other activities including expenditure on grants, and on repairs and maintenance to the City Magistrates Court.
- a one-off VAT refund of £5.4m in 2012/13.
- the sale of fixed assets generated a profit of £7m in 2013/14 compared to £4m in 2012/13.

<u>Comparison with Budget</u>

13. The financial statements and the budget are not directly comparable due to differences in the way in which the two documents are constructed. However, with the exception of investment income, the table below compares the budget and outturn on a comparable basis and indicates a worse than budgeted position of £1.9m.

	City's Cash Outturn 2013/14			
		Budget	**Outturn**	**Variation (Better)/ Worse**
		£m	**£m**	**£m**
1	Net expenditure on services	70.0	68.5	(1.5)
2	Supplementary revenue projects	3.8	1.9	(1.9)
3	Estate rent income	(41.8)	(42.4)	(0.6)
4	Investment income	(20.5)	(16.5)	4.0
5	Interest on balances	(0.3)	(0.4)	(0.1)
6	**Operating Deficit**	**11.2**	**11.1**	**(0.1)**
7	Profit on asset sales	(9.0)	(7.0)	2.0
8	**Deficit after Profit on Asset Sales**	**2.2**	**4.1**	**1.9**

14. However, the position in the table is skewed by the change in investment management arrangements which is the main reason for the reduction of £4m shown for investment incomes. Adjusting for this change, the underlying position would be a favourable movement of £2.1m.

15. The budget and outturn can also be analysed on a Committee basis as follows:

	City's Cash Net Expenditure (Income) by Committee 2013/14					
	Committee	**Budget**	**Outturn**	**Variation (Better)/Worse**		
				Total	**Local Risk**	**Central Risk/ Support Services**
		£'m	**£'m**	**£'m**	**£'m**	**£'m**
1	Culture, Heritage and Libraries	0.0	0.0	0.0	0.0	0.0
2	Finance	(10.3)	(5.5)	4.8	(0.2)	5.0
3	General Purposes Committee of Aldermen	3.3	3.0	(0.3)	(0.2)	(0.1)
4	Guildhall School of Music and Drama	9.1	9.1	0.0	(0.2)	0.2
5	Markets	1.0	0.2	(0.8)	(0.5)	(0.3)
6	Open Spaces Directorate	0.0	0.0	0.0	0.0	0.0
7	Epping Forest and Commons	6.5	6.7	0.2	0.2	0.0
8	Hampstead Heath, Queen's Park & Highgate Wood	6.6	6.4	(0.2)	(0.2)	0.0
9	Bunhill Fields	0.3	0.3	0.0	0.0	0.0
10	West Ham Park	1.0	1.0	0.0	0.1	(0.1)
11	Planning and Transportation	0.1	0.1	0.0	0.0	0.0
12	Policy and Resources	11.3	10.3	(1.0)	0.0	(1.0)
13	Port Health and Environmental Services	0.2	0.2	0.0	0.0	0.0
14	Property Investment Board	(32.5)	(32.8)	(0.3)	(0.1)	(0.2)
15	City of London School	1.6	1.5	(0.1)	(0.1)	0.0
16	City of London Freemen's School	2.8	2.5	(0.3)	(0.3)	0.0
17	City of London School for Girls	1.2	1.1	(0.1)	(0.1)	0.0
18	**Total City Fund Requirement**	**2.2**	**4.1**	**1.9**	**(1.6)**	**3.5**

16. The main variations were:

- Finance Committee, £4.8m worse:
  - £4m reduction in investment income due to the change in investment management arrangements;
  - £2m reduction in profits from the sale of assets. The shortfall relates to two asset disposals that were deferred to 2014/15. Both have now been completed and the profit from the sales was £2.3m.
  - £0.7m City's Cash share of fees payable to the City's procurement partner to facilitate an earlier conclusion to the partnership including the bringing forward of payments that would otherwise have been paid later in the contract for ongoing savings already achieved;

    partly offset by
  - £1.9m slippage/rephasing of supplementary revenue projects mainly relating to Guildhall School and Investment Property schemes.
- Markets Committee, £0.8m better - Savings on employees, energy and billing costs; lower expenditure on repairs and maintenance; and additional income from rents, parking and dilapidations.
- Policy and Resources Committee, £1m better – Primarily relates to the uncommitted balances in the Policy Initiatives Fund and Contingency which have been carried forward to 2014/15.

17. In accordance with the City's budget management arrangements, requests for the carry forward of City's Cash resources totalling £2.1m have been agreed by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub-Committee. This increases the call on City's Cash reserves in 2014/15. In addition, £1.9m of projects and works programmes have slipped and/or been rephased to 2014/15.

Consolidated Statement of Total Recognised Gains and losses

18. As set out in the table below, the recognised gains for the year total £199.9m (31/3/13 – gains of £121.2m).

	31/03/2014 £m	31/03/2013 £m
Deficit for the financial year	(6.1)	(0.3)
Unrealised gains		
Gain on revaluation of investment properties	196.1	56.7
Gain on revaluation of non-property investments (April to January)	34.4	55.5
Actuarial gain (loss) on defined benefit pension scheme	(24.5)	9.3
Total gains recognised for the year	199.9	121.2

Consolidated Balance Sheet

19. City's Cash net assets total £1,860.3m at 31 March 2014 compared to £1,660.4m a year earlier reflecting the £199.9m total gains recognised for the year as set out above.

Contribution to Crossrail

20. The potential contribution of £50m from City's Cash towards the Crossrail Project has been disclosed as a contingent liability in both the annual report and the notes to the financial statements. The reasons for this treatment, rather than the inclusion of a long term liability, are that although the report to the Policy and Resources Committee last December indicated the contributions could be made in two instalments of £25m in 2018 and 2019, this was subject to further discussions and completion of the works. Consequently, at this stage, the payments are contingent on further Member approval and the fulfilment of any conditions that may be required.

Signing of the Financial Statements

21. The Chairman and Deputy Chairman of the Finance Committee will be requested to sign the financial statements.

Contact:
Steve Telling
Chief Accountant
020 7332 1284
Steve.telling@cityoflondon.gov.uk

CITY'S CASH

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2014

CONTENTS

Annual Report

1. Reference and Administrative Details

City's Cash is a fund of the City of London Corporation that is not governed by any statute or regulation.

Registered Address	Guildhall, London, EC2P 2EJ
Chief Executive	The Town Clerk of the City of London
Treasurer	The Chamberlain of London
Solicitor	The Comptroller and City Solicitor
Bank	Lloyds TSB Bank plc
Discretionary Fund Managers	Artemis Investment Management; Carnegie Asset Management; GMO (UK) Ltd; M&G Investment Management Ltd; Ruffer LLP; Southeastern Asset Management Inc.; Standard Life Investments Ltd; Veritas Asset Management LLP; and Wellington Management Co LLP.
Chartered Accountants and Statutory Auditor	Moore Stephens LLP.

2. Origin

The existence of City's Cash can be traced back to the fifteenth century and it has built up from a combination of properties, land, bequests and transfers under statute since that time. The sites are now managed as a property portfolio and the rents received from the present day buildings, together with investment income from funds largely managed by fund managers, form a large proportion of the income of City's Cash.

City's Cash is not governed by any statutes or regulations and there is no statutory requirement to publish the City's Cash annual report and financial statements. However, most of the components are already within the public domain in some form including the 'City's Cash Overview' published each year. This annual report and the financial statements bring these components together and provide transparency on the work of the City of London Corporation.

The financial statements have been prepared on the basis of United Kingdom Generally Accepted Accounting Practice (UK GAAP).

3. Other City of London Corporation Funds

This annual report and the financial statements only cover City's Cash: this is one of three funds from which the City Corporation pays for its services. The others are City Fund and Bridge House Estates.

City Fund covers the City's activities as a local authority, police authority, and port health authority. The financial statements are published separately.

Bridge House Estates is a registered charity. It was originally set up from bridge taxes, rent and private bequests to deal with the upkeep of London Bridge. The charity now funds the maintenance of Tower, London, Southwark, Millennium and Blackfriars Bridges. As the funds have been managed effectively over the centuries the fund now also helps charitable causes across London through the City Bridge Trust with grants amounting to some £15m every year. The annual report and financial statements for this fund are also published separately including a list of grants awarded.

4. Activities of City's Cash

Net income from investments was £45.6m for the year ending 31 March 2014 (gross investment income of £64.9m, less investment management costs of £19.3m) and this allows the City Corporation to provide services that:

- are of national benefit through its core objective to promote UK-based financial services, and related professional services, at home and abroad; and
- are of importance to Greater London and its environs as well as to the City itself, for example, work in surrounding boroughs supporting education, training and employment opportunities; numerous green spaces, wholesale markets providing fish (Billingsgate) and meat (Smithfield), schools (City of London School, City of London School for Girls, City of London Freemen's School and the Guildhall School of Music and Drama).

Education

Gross Expenditure £65.1m, Gross Income £53.0m, Net Expenditure £12.1m

The City Corporation maintains three fee paying schools – City of London School, City of London School for Girls (both in the Square Mile), and the City of London Freemen's School (in Surrey). They regularly feature among the UK's top performing schools. In each of these institutions, the City provides scholarships and academic bursaries, including match funding monies raised externally by the schools, to support able students from disadvantaged backgrounds. Over 300 students currently receive support.

The Guildhall School of Music & Drama is owned, funded and managed by the City Corporation. It is an internationally-renowned conservatoire; based in the Barbican, it has over 800 full-time music and drama students and is regulated by the Higher Education Funding Council for England in-line with other higher education institutions.

Markets

Gross Expenditure £11.1m, Gross Income £10.6m, Net Expenditure £0.5m

The City Corporation runs three wholesale food markets two of which, Billingsgate and Smithfield, are funded by City's Cash. New Spitalfields Market is accounted for in the City Fund. Market tenants pay rent and service charges, which are calculated on a commercial basis. These charges cover the costs of operation, administration and those repairs which are attributable to the tenants. Billingsgate allows buyers to choose from the largest selection of fish in the UK, with an annual turnover of some 22,000 tonnes. Meat has been bought and sold at Smithfield for over 800 years; its magnificent Grade II listed surroundings see around 120,000 tonnes of meat pass through each year.

Open Spaces

Gross Expenditure £23.1m, Gross Income £6.7m, Net Expenditure £16.4m

The City Corporation looks after almost 11,000 acres of open spaces across London and beyond, including Hampstead Heath and Epping Forest. Some of the sites have been owned and managed since as far back as 1870, protecting them from development and preserving them as a natural resource. They include important wildlife habitats, Sites of Special Scientific Interest, National Nature Reserves and outdoor space for sport, recreation and enjoyment for the public. Annual visits to the open spaces are estimated at 22.5 million.

City Representation

Gross Expenditure £11.7m, Gross Income £0.7m, Net Expenditure £11.0m

This expenditure supports the City Corporation's core objective to promote UK-based financial services, and related professional services, at home and abroad. The Lord Mayor's overseas visits programme, amounting to around 100 days abroad each year, fosters trade and makes links at the highest levels of government and industry. The Chairman of the Policy and Resources Committee also visits a number of major global financial centres each year, including New York, Beijing and Mumbai. High profile government and industry delegations are welcomed to Mansion House and Guildhall, often on behalf of the UK government. Events hosted range from small receptions to major national occasions, such as State or Guest of Government visits. The City's diplomatic relationships are also strengthened through the London Diplomatic Corps.

Mansion House is the official residence of the Lord Mayor as the head of the City Corporation and the base for Mayoral activities. City's Cash funds official receptions, banquets, meetings and general hospitality carried out by the City Corporation (as well as the overall running costs of Mansion House and the team based there).

Other important responsibilities include: support for the City Corporation's many and varied civic activities; maintaining the Mayoralty's close ties with livery companies and supporting corporate social responsibility and charitable organisations. The Sheriffs support Lord Mayors during their year of office and Her Majesty's Judges sitting at the Central Criminal Court.

The Remembrancer is one of the City's four Law Officers and the Office is responsible for the maintenance and protection of the City's constitution. He is the City's Parliamentary Agent and the Parliamentary Agent for the Honourable the Irish Society, and the City's Chief of Protocol. The Office acts as a channel of communication between Parliament and the City. In the contemporary context, this means day to day examination of Parliamentary business including examination of and briefing on proposed legislation and amendments to it, regular liaison with the Select Committees of both Houses and contact with officials in Government departments dealing with Parliamentary Bills. Liaison is also maintained with the City Office in Brussels and other Member States' permanent representations in relation to draft EU legislation.

The Remembrancer's Office also organises much of the hospitality referred to above including responsibility for the Lord Mayor's Banquet and elements of the Lord Mayor's Day at Guildhall and the Royal Courts of Justice.

Income is generated from lettings at the Mansion House and charges by the Remembrancer to other City Corporation funds for parliamentary work.

Economic Development

Gross Expenditure £3.3m, Gross Income £0.4m, Net Expenditure £2.9m

Economic development work is dedicated to supporting and promoting the City's competitiveness. One of its main aims is to increase the capacity of the wider London community and especially our neighbouring boroughs. This work ranges from encouraging corporate responsibility in City firms to assisting in regeneration work, education, training, skills development and promoting entrepreneurship. The City Corporation also works to establish the best market conditions in which enterprise and innovation can flourish. The City Corporation's Office in Brussels helps to shape legislation that affects UK business and the City's message is put across to decision makers in Westminster and Whitehall. The City leads business delegations on overseas visits and high level inward visits are hosted by the Lord Mayor and Chairman of the Policy and Resources Committee.

Management and Administration

Gross Expenditure £8.5m, Gross Income £nil, Net Expenditure £8.5m

These costs primarily relate to support provided to Members by both central and service departments including an apportionment of Guildhall Complex premises expenses; City's Cash external audit fees; treasury management; and depreciation charges in respect of the City's Cash share of capital projects relating to the Guildhall Complex, information systems and other corporate priorities.

Grants and Other Activities

Gross Expenditure £4.8m, Gross Income £0.7m, Net Expenditure £4.1m

A number of grants are made from City's Cash each year, usually where organisations have a strong City connection or are involved in a special nationwide activity, including charity and educational activities. The grants can encourage companies to become more involved in their community; assist, support and advise policy makers on health issues affecting the capital; and support organisations that promote our work at home and abroad. In addition grants are made to emergency organisations to assist with the relief of national and international disasters.

The City Corporation owns and maintains the Monument. This 202ft high building attracts over 200,000 visitors a year, braving its 311 steps to enjoy breath-taking views of the City and beyond. It was built in 1671-7 and was designed by Sir Christopher Wren and Robert Hooke to commemorate the Great Fire of London.

5. Governance Arrangements

City's Cash is managed by committees of the City of London Corporation, membership of which is drawn from the Court of Aldermen and the Court of Common Council. Members of the Court of Aldermen and Court of Common Council are elected by the electorate of the City of London. In determining appointments to committees, the Court of Aldermen and Court of Common Council will take into consideration any particular expertise and knowledge of the Aldermen and Members.

The decision making processes and financial stewardship of the City of London Corporation are set out in Standing Orders and Financial Regulations respectively. The Standing Orders and Financial Regulations are available on the City Corporation's website at www.cityoflondon.gov.uk.

The City of London has established a robust programme of risk management as a key element of its strategy to preserve its assets, enhance efficiency for service users and members of the public and protect its employees.

The Audit and Risk Management Committee monitors and oversees the City's Risk Management Strategy and undertakes a systematic programme of detailed reviews of each of the risks on the City's Corporate Risk Register. Following the independent review of the City's Risk Management arrangements (by Zurich Municipal) in the summer 2013, the Committee has overseen and supported officers in the development and agreement of a new Risk Management Strategy.

The Corporate Risk Register codifies key strategic risks and assigns responsibility for taking action to mitigate each risk to a named Chief Officer.

The Officer Risk Management Group has a remit to ensure that risk management policies are applied, that there is an on-going review of risk management activity and that appropriate advice and support is provided to Members and officers.

A Governance Statement is reviewed and updated annually. The Annual Governance Statement is considered and approved by the Audit and Risk Management Committee, based on its evaluation of the effectiveness of the risk and governance framework, and will be available at www.cityoflondon.gov.uk.

An Audit Review Panel of senior representatives from medium to large audit firms reviews the processes adopted by the incumbent auditor and provides independent confirmation that the audit has been conducted in accordance with International Standards on Auditing (UK and Ireland).

6. Financial Review

As set out in the following table, the Consolidated Income and Expenditure Account records a deficit for the year of £6.1m (2012/13: £0.3m) on expenditure of £149.2m (2012/13: £147.7m). This deficit is after benefitting from a £7.0m profit on the sale of fixed assets, without which the underlying position would have been a deficit of £13.1m (2012/13: underlying deficit of £9.7m after adjusting for the one-off benefits from profits on sale of fixed assets and a VAT refund).

Income and Expenditure for the year ended 31 March 2014:

	2014 Income	**2014 Expend - iture**	**2014 Net income / (cost)**	2013 Income	2013 Expend - iture	2013 Net income / (cost)
	£m	**£m**	**£m**	£m	£m	£m
Service / activity						
Investments	**64.9**	**19.3**	**45.6**	73.1	21.6	51.5
Gain in fair value of Non-Property Investments	**1.5**	-	**1.5**	-	-	-
Education	**53.0**	**65.1**	**(12.1)**	51.4	61.3	(9.9)
Markets	**10.6**	**11.1**	**(0.5)**	9.3	13.6	(4.3)
Open Spaces	**6.7**	**23.1**	**(16.4)**	4.7	21.0	(16.3)
City Representation	**0.7**	**11.7**	**(11.0)**	0.7	11.4	(10.7)
Economic Development	**0.4**	**3.3**	**(2.9)**	0.5	3.9	(3.4)
Management & Administration	-	**8.5**	**(8.5)**	-	8.2	(8.2)
Grants and other activities	**0.7**	**4.8**	**(4.1)**	0.8	4.3	(3.5)
Net Pension Scheme Costs	-	**2.3**	**(2.3)**	-	2.4	(2.4)
	138.5	**149.2**		140.5	147.7	
Operating deficit			**(10.7)**			(7.2)
VAT refund			-			5.4
Profit on Sale of Fixed Assets			**7.0**			4.0
Net financing costs attributable to the pension scheme			**(2.4)**			(2.5)
Deficit before taxation			**(6.1)**			(0.3)
Taxation			-			-
Deficit for the financial year			**(6.1)**			(0.3)

The net operating deficit increased by £3.5m from £7.2m in 2012/13 to £10.7m in 2013/14. This is largely due to:

- net investments income falling by £4.4m, from £51.5m in 2012/13 to £47.1m (£45.6m plus £1.5m gain in fair value) in 2013/14. This is mainly the result of managed investment equity funds being transitioned on 31 January 2014 to pooled investment vehicles, resulting in a reduced level of investment income. As such, income generated from these funds since the transition remains within the fund to be reinvested, with City's Cash drawing down income (realising gains) as required. In addition, property rentals income has also fallen due to a combination of several building leases coming to an end, some properties being refurbished and others being redeveloped during the year; and

- net expenditure on education increasing by £2.2m, of which £1.7m relates to temporary additional resources agreed for the Guildhall School of Music and Drama to further develop its teaching and learning infrastructure to enable it to take full advantage of its new facilities at Milton Court. The balance of £0.5m is additional net expenditure by the three independent schools.

- an increase of £0.6m in the net expenditure on other activities including grants, and repairs and maintenance to the City Magistrates Court.

  partly offset by:

- net expenditure on markets reducing by £3.8m mainly as a result of one-off costs in the prior year establishing new working arrangements at Billingsgate Market and additional service charge income following the commencement of new leases at Smithfield Market.

Recognised but unrealised gains on investment properties and investments with fund managers were £196.1m and £34.4m respectively (2012/13: gains of £56.7m and £55.5m). These gains were partly offset by an actuarial loss on the defined benefit pension scheme of £24.5m (2012/13: gain of £9.3m). When taken together with the deficit for the year of £6.1m, reserves have increased by £199.9m from £1,660.4m to £1,860.3m (2012/13: increase in reserves of £117.6m).

City of London Pension Scheme

For the first time an estimated share of the net liability in the City of London Pension Scheme has been included in the City's Cash accounts. The City's Cash share of the deficit is 49% which equates to £196.7m at 31 March 2014 (£167.5m at 31 March 2013)

Previously this had not been included in the balance sheet as the estimated net deficit in the Pension Scheme is the responsibility of the City of London as a whole, as one employer, rather than the specific responsibility of any of its three main funds. Thus City's Cash does not have an exclusive relationship with the City of London Pension Fund and the proportion of the Pension Fund relating to City of London employee members engaged on City's Cash activities is not separately identifiable. Consequently, in accordance with FRS17, the pension arrangements have been treated as a defined contribution scheme in the City's Cash accounts. This meant that only the employer's contributions to the scheme have previously been included in the accounts as they become payable.

However, although the Pension Fund net deficit cannot be attributed precisely between the City of London's three main funds, it is now considered that an apportionment of that deficit and inclusion in the respective balance sheets presents a fairer view of the funds' financial positions than if the deficit were to continue to be excluded. Accordingly an apportionment has been made which is based on employer's annual contributions to the fund.

Further details of the City of London Pension Scheme can be found in Note 16 to the financial statements.

Non-property investments – change in accounting treatment

On 31 January 2014, four of the six equity funds transferred to pooled investment vehicles. Consequently, income generated by these funds remains within those funds to be reinvested, with City's Cash drawing down income as required. As a consequence, incoming resources within the Income and Expenditure Account now includes the gain or loss in fair value of all non-property investments rather than the dividend income.

The non-property investment portfolio is divided between the following fund managers:

Equity
Artemis Investment Management LLP
Carnegie Asset Management
GMO (U.K) Ltd
Southeastern Asset Management Inc.
Veritas Asset Management LLP
Wellington Management Co LLP

Multi Asset
Ruffer LLP
Standard Life Investments Ltd

Absolute Return Bonds
M&G Investment Management Ltd
Wellington Management Co LLP

Tangible Fixed Assets – Guildhall School of Music & Drama

In July 2013 the Guildhall School of Music and Drama took possession of Milton Court, a state-of-the-art suite of performance and teaching facilities. The cost of £87.8m is included within tangible fixed assets.

Milton Court was a redundant brown-field site at the eastern end of Silk St. Planning permission was granted in November 2007 for a composite development which gives the School much-needed additional premises. Facilities include a concert hall (608 seats), a second theatre (223 seats), an accessible studio theatre (80-128 seats, depending on configuration), all with appropriate back of house support; three rehearsal rooms and a gymnasium; three large teaching rooms (one of which will double as a TV studio); and office and workshop accommodation for the departments of acting and technical theatre. The spaces all incorporate technical facilities of the highest specification, which will help to provide the School's students with the very best training for careers in the performing arts. All facilities were designed and planned to be complementary to the other venues at the School, the Barbican Centre and LSO St Luke's.

Going Concern

The City of London Corporation considers City's Cash to be a going concern as set out in note c) of the Statement of Significant Accounting Policies.

Related Party Transaction with City Fund

The City Fund covers the City of London Corporation's activities as a local authority, police authority and port health authority.

During the year City's Cash sold two investment properties to City Fund to facilitate the reinvestment of the capital in refurbishment and redevelopment schemes to enable City's Cash to benefit from developers profits as well as returns on capital outlay. The sale proceeds also enable the full development exploitation of existing assets which otherwise would have to be sold to third parties to secure necessary funding for the capital works. To ensure the integrity of each of the funds, the two properties were independently valued by an external firm of chartered surveyors in accordance with the RICS Valuation Professional Standards (the 'Red Book'). The sale proceeds totalled £45.3m.

Contingent Liability
The City of London Corporation is in discussions with Government concerning a contribution of £50m from City's Cash upon completion of the Crossrail project. Subject to the outcome of these discussions, and the fulfilment of any associated conditions, the contribution could be made in instalments during 2018 and 2019.

7. Explanation of the Financial Statements

The financial statements are not governed by any statutory requirements. They have been prepared in accordance with UKGAAP and comparative figures for the previous year have been included.

The City's Cash financial statements consist of the following:

- Consolidated Income and Expenditure Account showing all resources available and all expenditure incurred,
- Consolidated Balance Sheet setting out the assets, liabilities and funds of City's Cash,
- Direct Services Balance Sheet – comprises the assets, liabilities and funds of the services and activities which are provided directly from City's Cash and excludes the separate entities listed below,
- Consolidated Statement of Total Recognised Gains and Losses which includes the profit or loss for the period together with other recognised gains and losses and reconciles to the total movement in reserves,
- Consolidated Cash Flow Statement showing the movement of cash for the year, and
- Notes to the financial statements explaining the accounting policies adopted and explanations of figures contained in the financial statements.

The following separate entities have been consolidated with the main City's Cash accounts:

- Registered charities which are managed and funded by the City Corporation:
  - Ashtead Common,
  - Burnham Beeches,
  - Epping Forest,
  - Hampstead Heath
  - Hampstead Heath Trust,
  - Highgate Wood and Queen's Park Kilburn,
  - West Ham Park,
  - West Wickham Common, Spring Park Wood and Coulsdon and other Commons, and
  - Sir Thomas Gresham Charity.

- City Re Limited - a wholly owned subsidiary company whose principal activity is to provide re-insurance protection. The company was incorporated in Guernsey, registration number 52816, and the Directors' Report and Financial Statements are available at www.cityoflondon.gov.uk. The company allows the City to share in underwriting profits with a known capped downside financial risk of £250,000.

8. Disclosure of Information to Moore Stephens

At the date of approval of this report, the City of London Corporation confirms that:

- so far as it is aware, there is no relevant audit information of which Moore Stephens is unaware; and

- it has taken all the steps that it ought to have taken in order to make itself aware of any relevant audit information and to establish that Moore Stephens are aware of that information.

9. Responsibilities of the City of London Corporation for the Annual Report and Financial Statements

The City of London Corporation is responsible for preparing the Annual Report and Financial Statements for each financial year in accordance with applicable law and regulations. The City of London Corporation has elected to prepare the financial statements in accordance with UKGAAP (United Kingdom Accounting Standards and applicable law). The financial statements would not be approved by the City of London Corporation unless it is satisfied that they give a true and fair view of the state of affairs of the organisation and of the surplus or deficit of the organisation for that period. In preparing these financial statements, the City of London Corporation has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and accounting estimates that are reasonable and prudent;
- stated whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

The City of London Corporation is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the organisation and enable it to ensure that the financial statements comply with applicable law and regulations. It is also responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The City of London Corporation is responsible for the maintenance and integrity of the corporate and financial information included in its website.

Adoption of the Annual Report and Financial Statements

At a meeting of the Finance Committee held at Guildhall on 18 November 2014, the financial statements of City's Cash were approved on behalf of the Court of Common Council.

Roger A. H. Chadwick	Jeremy Paul Mayhew MA MBA
Chairman of Finance Committee	Deputy Chairman of Finance Committee

Guildhall, London.
18 November 2014

Independent Auditor's Report to the City of London Corporation

We have audited the financial statements of the portion of the City of London Corporation called City's Cash for the year ended 31 March 2014 which comprise the Consolidated Income and Expenditure Account, Consolidated Balance Sheet, Direct Services Balance Sheet, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 25. The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the City of London Corporation in accordance with our terms of engagement. Our audit work has been undertaken so that we might state to the City of London Corporation those matters we have agreed 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 City of London Corporation for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Chamberlain and auditors

As explained more fully in the Responsibilities of the City of London Corporation set out on page 9, the Chamberlain of the City of London Corporation is responsible for the preparation of the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group and the Corporation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and City's Cash affairs as at 31 March 2014 and of the group's deficit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

x November 2014

Moore Stephens LLP
Chartered Accountants and Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

Report of the Audit Review Panel to the Right Honourable the Lord Mayor, Aldermen and Livery of the several Companies of the City of London in Common Hall assembled

We, whose names are hereunto subscribed, the Audit Review Panel of the Chamberlain's and Bridgemasters' Accounts, elected by the Livery of London in Common Hall assembled on 25 June 2012, 24 June 2013 and 24 June 2014 pursuant to Act 11, George 1, Cap 18, an Act for regulating elections within the City of London, etc., do report as follows:

We have reviewed the processes adopted by Moore Stephens LLP for the audit of City's Cash for the period from 1 April 2013 to 31 March 2014.

In our view the audit of the financial statements has been conducted in accordance with auditing procedures as stated on pages 12 and 13.

This report is made solely to the above named addressees. Our work has been undertaken to enable us to make this report and for no other purpose.

S. Barnsdall

H. A. Bygrave

A. Francis

M. McDonagh

P. Watts

The Moore Stephens LLP Public Sector Partner, Nicholas Bennett, is also a member of the Audit Review Panel. However, as the role of the Panel is to provide independent confirmation that the processes adopted by Moore Stephens LLP have been conducted in accordance with auditing procedures, it is not appropriate for Nicholas Bennett to sign the report.

Consolidated Income and Expenditure Account

For the year ended 31 March 2014

	Notes	2014	Restated 2013
		£m	£m
Income			
Investment Income - Managed Funds and Property	1	**64.9**	73.1
Gain in fair value of non-property investments	9	**1.5**	-
Education		**53.0**	51.4
Markets		**10.6**	9.3
Open Spaces		**6.7**	4.7
City Representation		**0.7**	0.7
Economic Development		**0.4**	0.5
Other activities		**0.7**	0.8
Total Income		**138.5**	140.5
Expenditure			
Investments - Management Costs and Property Operating Expenditure	2	**19.3**	21.6
Education		**65.1**	61.3
Markets		**11.1**	13.6
Open Spaces		**23.1**	21.0
City Representation		**11.7**	11.4
Economic Development		**3.3**	3.9
Management and Administration		**8.5**	8.2
Grants and other activities		**4.8**	4.3
Net pension scheme costs	16	**2.3**	2.4
Total Expenditure	2, 3 and 4	**149.2**	147.7
Operating deficit		**(10.7)**	(7.2)
VAT refund	5	**-**	5.4
Profit on Sale of Fixed Assets		**7.0**	4.0
Net financing costs attributable to the pension scheme	16	**(2.4)**	(2.5)
Deficit before taxation		**(6.1)**	(0.3)
Taxation	6	**-**	-
Deficit for the financial year		**(6.1)**	(0.3)

All amounts relate to continuing operations.
The notes on pages 19 to 62 form part of these financial statements.

Consolidated Balance Sheet

At 31 March 2014

	Notes	2014 £m	Restated 2013 £m
Fixed Assets			
Tangible assets	7	**1,294.5**	1,074.7
Heritage assets	8	**182.2**	182.2
Non-property investments	9	**568.6**	513.8
Total Fixed Assets		**2,045.3**	1,770.7
Current Assets			
Stocks - finished goods	11	**0.3**	0.4
Debtors	12	**31.2**	32.5
Non-property investments	9	**81.8**	90.2
Cash at bank and in hand		**13.8**	4.5
Total Current Assets		**127.1**	127.6
Creditors: amounts falling due within one year	13	**46.7**	54.0
Deferred income	14	**66.8**	15.5
Net Current Assets		**13.6**	58.1
Total Assets less Current Liabilities		**2,058.9**	1,828.8
Provisions for liabilities	15	**1.9**	0.9
Net Assets excluding pension liability		**2,057.0**	**1,827.9**
Defined benefit pension scheme liability	16	**196.7**	167.5
Net Assets		**1,860.3**	1,660.4
Capital and Reserves			
Operational Capital Reserve		**174.5**	116.2
Heritage Assets Reserve		**182.2**	182.2
Income Generating Fund		**1,688.6**	1,472.3
Working Capital Fund		**11.7**	57.2
Pension Reserve	16	**(196.7)**	(167.5)
Total Capital Employed	17	**1,860.3**	1,660.4

Dr Peter Kane
Chamberlain of London, 18 November 2014

Direct Services Balance Sheet

At 31 March 2014

	Notes	2014 £m	Restated 2013 £m
Fixed Assets			
Tangible assets	7	**1,285.9**	1,067.5
Heritage assets	8	**181.8**	181.8
Non-Property investments	9	**540.1**	485.5
Investment in subsidiary		**0.5**	0.5
Total Fixed Assets		**2,008.3**	1,735.3
Current Assets			
Stocks - finished goods	11	**0.3**	0.4
Debtors	12	**30.6**	32.4
Non-Property investments	9	**81.0**	87.5
Cash at bank and in hand		**8.6**	1.4
Total Current Assets		**120.5**	121.7
Creditors: amounts falling due within one year	13	**44.0**	49.5
Deferred income	14	**61.8**	10.9
Net Current Assets		**14.7**	61.3
Total Assets less Current Liabilities		**2,023.0**	1,796.6
Defined benefit pension scheme liability	16	**168.6**	143.5
Net Assets		**1,854.4**	1,653.1
Capital and Reserves			
Operational Capital Reserve		**165.9**	109.0
Heritage Assets Reserve		**181.8**	181.8
Income Generating Fund		**1,660.6**	1,444.5
Working Capital Fund		**14.7**	61.3
Pension Reserve	16	**(168.6)**	(143.5)
Total Capital Employed	17	**1,854.4**	1,653.1

The Direct Services Balance Sheet includes those services directly provided by the City's Cash fund of the City of London Corporation. It excludes the subsidiaries which form part of the Consolidated Statements.

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 March 2014

	Notes	2014 £m	Restated 2013 £m
Deficit for the financial year		**(6.1)**	(0.3)
Unrealised gains			
Gain on revaluation of investment properties	7	**196.1**	56.7
Gain on revaluation of listed investments	9	**34.4**	55.5
Actuarial gain / (loss) on defined benefit pension scheme	16	**(24.5)**	9.3
Total unrealised gains		**206.0**	121.5
Total gains recognised for the year		**199.9**	121.2

Consolidated Cash Flow Statement

For the year ended 31 March 2014

	Notes	2014 £m	2013 £m
Net cash (outflow) / inflow from operating activities	18	**(25.6)**	(6.8)
Returns on investments	19	**15.4**	20.3
Capital transactions and financial investment	20	**11.1**	(8.5)
Cash inflow before management of liquid resources		**0.9**	5.0
Management of liquid resources	21	**8.4**	(10.9)
(Decrease) / increase in cash in the year		**9.3**	(5.9)

Statement of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are summarised below. They have all been applied consistently throughout the year and to the comparative figures in dealing with items which are considered material in relation to the City's Cash financial statements.

a) **Basis of preparation**

City's Cash is a fund of the City of London Corporation and is not governed by any statutes or regulations. The Corporation has chosen to prepare financial statements on the basis of United Kingdom Generally Accepted Accounting Practice (UK GAAP). The financial statements are prepared under the historical cost convention modified to include the revaluation of certain financial assets and liabilities.

b) **Accounting standards adopted in the period**

City's Cash has adopted the following accounting standard which has a material effect on the financial statements: FRS17 "Retirement Benefits".

c) **Going Concern**

In the opinion of the Corporation, City's Cash is a going concern for the foreseeable future as it annually receives considerable income from its property and non-property investments. This income is considered in the context of a rolling medium term financial forecast to ensure that services are affordable and sustainable. Cash and liquid investments are monitored and maintained at a level to ensure that sufficient resources are available to finance any in-year deficits.

d) **Consolidation**

The City's Cash financial statements consolidate the financial results of the services provided directly, including ceremonial, schools and markets; City Re Ltd. a wholly-owned subsidiary whose principal activity is to provide re-insurance protection; trust funds in respect of seven open spaces; and the Sir Thomas Gresham Charity. In the case of charities and trusts, the overriding rationale for consolidation of the trusts is that the City of London Corporation is the Trustee and thereby effectively exercises control over the trusts' activities.

e) **Income and expenditure**

The accounts of City's Cash are maintained on an accruals basis. Consequently, activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular;

- Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to City's Cash.
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be measured reliably and it is probable that economic benefits or service potential associated with the transaction will flow to City's Cash.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

f) **Deferred income**

Grants and contributions relating to fixed assets are treated as deferred income and released to the Consolidated Income and Expenditure Account over the expected useful lives of the assets concerned.

g) **Government Grants and Other Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations for purposes other than capital expenditure (see note e above) are recognised as income at the date that the conditions of entitlement to the grant/contribution are satisfied, when there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Where a grant or contribution has been received but the conditions of entitlement have not been satisfied, the grant or contribution is treated as a receipt in advance.

h) **Tangible fixed assets – operational properties, infrastructure, plant and equipment**

These are assets held and used for the direct delivery of services. In accordance with Financial Reporting Standard 15: Tangible Fixed Assets are carried at historic cost less depreciation on a straight line basis to write off their costs over their estimated useful lives. Depreciation is charged from the year following that of acquisition. Land is not depreciated.

Typical asset lives are as follows:

	Years
Buildings - freehold	10 to 50
Plant and Machinery (including the following components):	
Plant	10 to 20
Furniture and Equipment	3 to 15
Vehicles	3 to 10

Assets costing less than £50,000 are generally charged to the Consolidated Income and Expenditure Account in full in the year of purchase, although assets which cost less than £50,000 individually may be grouped together and capitalised.

i) **Tangible fixed assets – Freehold investment properties**

These are assets held to earn rental income and/or for capital appreciation which are revalued annually to open market value. The value of investment properties as at 1 April 2011, the date of transition to UKGAAP for the City's Cash financial statements, was included in the revaluation reserve as at that date. With effect from 1 April 2011, annual gains or losses on individual properties have been transferred to the property revaluation reserve unless:

- a surplus is reversing a previous impairment loss or revaluation decrease charged to the Consolidated Income and Expenditure Account in which case it is credited to expenditure to the extent of the loss or decrease previously charged there for the same asset; or
- a deficit exceeds the balance on the reserve for the same asset in which case the excess is charged to the Consolidated Income and Expenditure Account.

Depreciation is not provided in respect of freehold investment properties.

j) **Assets under construction**

Payments made to contractors for works completed to date are included within fixed assets pending the asset being recognised as operational. No depreciation is charged on such assets.

k) **Impairments**

An impairment loss arises if the carrying amount of an asset exceeds its recoverable amount. This could be caused by such factors as a significant decline in an asset's value during the period (i.e. more than expected as a result of the passage of time, normal use or general revaluation), evidence of obsolescence or physical damage of an asset, a commitment to undertake a significant reorganisation, or a significant adverse change in the statutory or other regulatory environment. An annual assessment takes place as to whether there is any indication that property assets may be impaired.

An impairment loss on investment property is recognised in the property revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset, and thereafter to the Consolidated Income and Expenditure Account. The reversal of an impairment loss on investment property, previously recognised in the Consolidated Income and Expenditure Account, will not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Any excess above this carrying amount is treated as a revaluation gain and charged to the property revaluation reserve.

An impairment loss on operational assets or heritage assets would be recognised in the Consolidated Income and Expenditure Account. The reversal of an impairment loss on operational or heritage property, previously recognised in the Consolidated Income and Expenditure Account, will not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

l) **De-recognition**

The carrying amount of an item of property, plant and equipment is derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from de-recognition of an asset is the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss arising from de-recognition of an asset is included in the Consolidated Income and Expenditure Account.

m) **Heritage Assets**

City's Cash heritage assets largely comprise art and sculpture treasures valued, in accordance with Financial Reporting Standard 30, at cost, or where cost cannot be readily identified, on the basis of available information, as a proxy for cost.

As heritage assets have indeterminate lives and potentially high residual values, no depreciation is charged. All expenditure on subsequent preservation, conservation, accessibility, etc. is charged directly to the Consolidated Income and Expenditure Account.

n) **Non-property Investment Assets**

Non-property investment assets are held in accordance with the investment policy set by the City of London Corporation. FTSE 100 Company investments are valued at the Stock Exchange Trading System (SETS) price at 31 March. Other quoted investments are valued at the middle market price at the close of business on 31 March. Unquoted investments are included at a valuation advised by the Fund Managers.

On 1 February the investment policy changed to reflect the transition of equity funds held by City's Cash to Pooled Investment Vehicles. At the point of transition, City's Cash designated all non-property investment assets, equity together with multi asset and fixed interest funds, as 'fair value through profit and loss.' The designation has been made on the basis that the non-property investment assets are equity instruments with a quoted price in an active market which are managed on a fair value basis. As a consequence, different accounting policies apply for the period to 31 January and for the period from 1 February.

<u>Accounting Policy to 31 January 2014</u>

Non-property investment assets held to 31 January 2014 have been accounted for as 'available for sale' financial assets.

Investment income is accounted for on an accruals basis. The net gain or loss on non-property investments shown in the Consolidated Income and Expenditure Account represents the differences between the historic cost on acquisition or the market value at the start of the year, compared with the market value at the date of disposal or at the 31 January. Gains or losses for the period are transferred to or from the Investment Revaluation Reserve.

<u>Accounting Policy post 31 January 2014</u>

From 1 February 2014 non-property investment assets have been accounted for at 'fair value through profit and loss'.

Income generated by non-property investment assets remains within the fund to be reinvested, with City's Cash drawing down income (realising gains or losses) as required. As a consequence, from 1 February 2014 incoming resources within the Income and Expenditure Account includes the gain or loss in fair value on all non-property investments rather than the dividend income.

o) **Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Finance leases

<u>City's Cash as lessee</u>

City's Cash recognises property, plant and equipment held under finance leases as assets at the commencement of the lease at amounts equal to fair value and, where material, liabilities at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset recognised is matched by a liability for the obligation to pay the lessor. Minimum lease payments are apportioned between a finance charge (interest) and a reduction of the outstanding liability. The finance charge element is allocated to revenue and is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability. Where liabilities are immaterial, a liability is not recognised and the full rental is charged to revenue over the term of the lease.

City's Cash as lessor

Where material, amounts due from lessees under finance leases are recorded in the balance sheet as a debtor at the amount of the net investment in the lease. The lease payments receivable are apportioned between repayment of the debtor and finance income. The finance income is credited to revenue and calculated so as to give a constant periodic rate of return from the net investment. Where the lease payments receivable are not material, a debtor is not recognised and the full lease payments receivable are credited to revenue.

Operating leases

City's Cash as lessee

Rentals payable are charged to revenue on a straight-line basis even if the payments are not made on such a basis unless another systematic and rational basis is more representative of the benefits received.

City's Cash as lessor

Assets subject to operating leases are included in the Balance Sheet according to the nature of the assets. Rental income from operating leases, excluding charges for services such as insurance and maintenance, are recognised on a straight-line basis over the period of the lease, even if the payments are not received on this basis (e.g. due to lease incentives), unless another systematic and rational basis is more representative of the time pattern in which the benefits derived from the leased asset are diminished.

Lease Incentives

Benefits received and receivable as an incentive to sign a lease are spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

p) **Contingent Assets**

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the City. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the debtor (or cash where consideration has been received) and the related revenue are recognised in the financial statements of the period in which the change in circumstances occurs. Where an inflow of economic benefits or service potential is probable (rather than virtually certain) and can be reliably measured, contingent assets are disclosed as notes to the accounts.

q) **Contingent Liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the City. Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become probable. If it becomes probable that an outflow of future economic benefits or service potential will be required for an item previously dealt with as a note to the accounts, a provision is recognised in the financial statements for the period in which the change in probability occurs (except in circumstances where no reliable estimate can be made). Where a contingent liability exists, but a reliable estimate cannot be made, a note is disclosed in the accounts unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

r) **Provisions**

Provisions are made where an event has taken place that gives the City a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the City may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the Comprehensive Income and Expenditure Account in the year that the City becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the City settles the obligation.

s) **Cash**

Cash comprises funds repayable to the City without penalty on notice within 24 hours, less cheques and BACS payments issued but not presented.

t) **Stocks of Finished Goods**

Stocks of finished goods are valued at the lower of cost or net realisable value.

u) **Pension Costs**

<u>Non-Teaching Staff</u>

The City of London Corporation operates a funded defined benefit pension scheme for its staff employed on activities relating to its three funds (i.e. City Fund, City's Cash and Bridge House Estates). The scheme is based on final salary and length of service on retirement. Changes to the Scheme came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the Scheme before the changes took effect.

The Pension Fund is the responsibility of the City of London as a whole, which is one employer, and not the responsibility of any of its three funds. City's Cash does not have an exclusive relationship with the City of London Pension Fund. Although the proportion of the Pension Fund that relates to City of London employee members engaged on City's Cash is not separately identifiable, a share of the total Pension Fund has been allocated to City's Cash based on employer's pension contributions paid into the Fund by City's Cash as a proportion of total employer's contributions paid.

This is a change in accounting policy, as pension costs were previously accounted for as defined contribution scheme. Consequently, a prior year adjustment has been required and details are shown in note 25.

For the defined benefit scheme the amounts charged in resources expended are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Income and Expenditure Account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on the assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

The assets of the scheme are held separately from those in City's Cash, and are invested by independent fund managers appointed by the Corporation of London. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis by a qualified actuary using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after net assets on the face of the balance sheet.

Barnett Waddingham, an independent actuary, carried out the latest triennial actuarial assessment of the scheme as at 31 March 2013, on an FRS 17 basis using the projected unit method. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020.

Pension Costs – Teachers

The payment of pensions to former teachers is the responsibility of Teachers' Pensions (formerly Teachers Pensions Agency). Consequently the teachers' pension fund contributions, together with the employer's contributions, are paid by the City of London to Teachers' Pensions. The Teachers' Pension Scheme is administered by Capita on behalf of the Department for Education as a multi-employer defined benefit scheme. As it is not possible to identify the assets and liabilities at individual employer level, the pension arrangements are treated as a defined contribution scheme in the City's Cash accounts for the purposes of FRS17 with no liability for the future payment of benefits recognised in the Balance Sheet. The pension cost charged to the accounts is the contribution rate set by the Department for Education on the basis of a notional fund.

v) **Statutory Deductions from Pay**

The City of London Corporation accounts centrally for salary and wage deductions. Consequently, the City's Cash accounts treat all sums due to the HMRC as having been paid.

w) **Foreign Currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the Balance Sheet date and the gains or losses on translation are written on / off to revenue account.

x) **Tax**

The City of London Corporation is a single legal entity and legislation treats it as a local authority for tax purposes. VAT is recovered from HMRC on supplies received, and paid to HMRC on supplies made. All transactions are therefore included without VAT. The City of London Corporation is exempt from income and corporation tax.

City Re Limited, a wholly-owned subsidiary of the City of London Corporation in its City's Cash capacity, conforms to the tax requirements for Guernsey companies.

y) **Overheads**

The costs of support service overheads, with the exception of expenditure on corporate and democratic activities, are generally apportioned between all services on the basis of employee time spent or other resources consumed on behalf of user services. Similarly, with the exception of vacant properties, the costs of support service buildings are apportioned on the basis of the office area utilised by each service.

z) **Reserves**

A number of reserves are held as endowment funds or restricted funds received by the City Corporation for specified purposes as set out in note 17.

aa) **Critical Judgements in Applying Accounting Policies**

In applying accounting policies the City Corporation has to make certain judgements about complex transactions or those involving uncertainty about future events. Apart from those disclosed in this Statement of Significant Accounting Policies and those involving estimations (see note bb), there are no critical judgements that management has made in the process of applying the City's accounting policies that will have a material effect on the amounts recognised in the financial statements.

bb) **Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the City about the future or that are otherwise uncertain. The estimates and associated assumptions are continually reviewed and are based on historical experience and other factors including expectations of future events that are considered to be reasonable under the circumstances. However, because balances cannot be determined with certainty, actual results could be materially different from those estimates. Changes in accounting estimates may be necessary if there are changes in circumstances on which the estimate was based, or as a result of new information or more experience. The estimates and assumptions that have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(i) Pension Benefits

Estimation of the net liability to pay pensions depends on a number of complex adjustments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the City with expert advice about the assumptions to be applied.

The effect of changes in individual assumptions on the net pension's liability can be measured, but are complex and interact in a complex manner. For example the actuary determines the appropriate discount rate at the end of each year after taking account of the yield from a high quality bond of appropriate duration, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liabilities of £9.2m. Other key assumptions for pension obligations are based in part on current market conditions and demographic data. Additional information on pension schemes is given in note 16 on pages 45 to 51.

(ii) Property Valuations

The carrying values of investment properties and heritage assets are primarily dependent on judgements of such variables as the state of the markets, location, condition of the properties/assets, indices etc. Valuation is an inexact science with assessments provided by different surveyors/experts rarely agreeing and with prices subsequently realised diverging from valuations. A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. For example a 1% reduction in the value of investment properties and heritage assets would result in a reduction to reserves of £11.2m and £1.8m respectively. Conversely, a 1% increase in value would have the opposite effect.

However, the risk of material adjustments is mitigated by using the experience and knowledge of professional chartered surveyors/experts, both in-house staff and external firms. In addition, tests are undertaken to ensure that variations between the valuations of different surveyors, and between valuations and actual prices, are within reasonable tolerances.

Notes to the Financial Statements

1. Income

Investment Income

Investment income relating to property and non-property investments comprises:

	2014	2013
	£m	£m
Dividends from managed investments and interest on fund balances	**15.4**	20.3
Rentals, service charges and dilapidations income	**49.5**	52.8
Total investment income *	**64.9**	73.1

The reduction in income from £73.1m to £64.9m is mainly due to managed investment equity funds being transitioned on 31 January 2014 to pooled investment vehicles. As such, income generated from these funds since the transition remains within the fund to be reinvested, with City's Cash drawing down income (realising gains) as required. In addition, property rental income has also fallen due to a combination of several building leases coming to an end and some properties being refurbished and others being redeveloped during the year.

* Rent receivable in 2013/14 in respect of operating leases was £42.4m (2012/13: £46.2m).

Education Income

Includes tuition fees, grants, donations and charges for the use of facilities.

Markets Income

Markets income includes rent and service charges from tenants and charges for the use of facilities.

Open Spaces Income

Income from government grants, other grants and donations and fees for the use of facilities.

2. Expenditure

Investment Management Costs

Expenses relating to property and non-property investments comprise:

	2014	2013
	£m	£m
Non-property investments - management fees paid to fund managers	**3.0**	3.7
Property investment expenses	**16.3**	17.9
Total Investment Management Costs	**19.3**	21.6

Property investment expenses comprise staff costs, repairs and maintenance costs, property running costs and professional fees relating to the management of the investment property portfolio.

Markets

Expenditure of £11.1 is lower than the £13.6m incurred in the prior year largely as a result of one-off costs in that year establishing new working arrangements at Billingsgate Market.

Depreciation

The operating deficit is stated after charging depreciation amounting to £5.0m (2012/13: £4.8m).

Operating Lease Rentals

During the year of account City's Cash spent £0.6m on operating lease rentals in respect of premises (2012/13: £0.6m).

Auditor's remuneration

Remuneration to the external auditor (Moore Stephens LLP) for audit services relating to the year of account amounted to £80,650 (Deloitte LLP in 2012/13: £139,400 including UK GAAP conversion work). No other fees were payable to Moore Stephens LLP for non-audit services during the year (Deloitte LLP in 2012/13: £227,600).

Members expenses

Members do not receive any remuneration from the City of London Corporation for undertaking their duties. However, Members may claim travelling expenses in respect of activities outside the City and receive allowances in accordance with a scale when attending a conference or activity on behalf of the City of London Corporation. These costs totalling £10,100 (2012/13: £8,600) in respect of 24 Members, across all of the City's activities, were met in full by City's Cash.

3. Staff numbers and costs

Officers employed by the City of London Corporation work on a number of the City of London Corporation's activities. The table below sets out the number of full-time equivalent staff charged directly to City's Cash and their remuneration costs.

The number of employees was:	**2014 FTE**	2013 FTE
Investment properties	**17.2**	17.6
Education	**597.4**	600.6
Markets	**101.0**	98.5
Open spaces	**301.8**	297.5
City representation	**64.5**	68.8
Grants and other activities	**8.9**	9.0
Support Services	**228.2**	231.7
Total	**1,319.0**	1,323.7

Their remuneration comprised:	**Gross Pay £m**	**National Insurance £m**	**Pension Contribution £m**	**2014 £m**	2013 £m
Investment Management	**0.4**	**0.1**	**0.1**	**0.6**	0.5
Education	**30.2**	**2.5**	**4.1**	**36.8**	35.8
Markets	**3.3**	**0.3**	**0.3**	**3.9**	3.5
Open spaces	**8.9**	**0.7**	**1.4**	**11.0**	10.7
City representation	**2.8**	**0.3**	**0.4**	**3.5**	3.4
Grants and other activities	**0.5**	**0.1**	**0.0**	**0.6**	0.6
Support Services	**9.6**	**0.8**	**1.3**	**11.7**	12.0
Total	**55.7**	**4.8**	**7.6**	**68.1**	66.5

4. Remuneration of senior employees

The number of directly charged staff earning more than £60,000 in bands of £10,000 is set out in table 1 below.

Table 1 - Remuneration in Bands

City's Cash Activities	**Band £**	**2013/14 Number of Employees**	2012/13 Number of Employees
Education	60,000-69,999	**50**	43
	70,000-79,999	**17**	16
	80,000-89,999	**1**	2
	90,000-99,999	**1**	0
	100,000-109,999	**1**	0
	110,000-119,999	**1**	1
	120,000-129,999	**2**	2
	130,000-139,999	**2**	3
Markets	60,000-69,999	**3**	3
	90,000-99,999	**1**	1
Open Spaces	60,000-69,999	**2**	1
	90,000-99,999	**0**	1
	100,000-109,999	**1**	0
City Representation	60,000-69,999	**3**	1
	70,000-79,999	**2**	2
	100,000-109,999	**0**	1
	110,000-119,999	**1**	0
	120,000-129,999	**1**	1
Grants and other activities	120,000-129,999	**1**	0
	130,000-139,999	**1**	0
	140,000-149,999	**0**	1
	150,000-159,999	**0**	1
	160,000-169,999	**1**	0

Where there are no officers in a band, that band has not been included in the table.

To provide consistency with the disclosure in the City Fund Financial Statements, tables 2 and 3 set out information for 2013/14 and 2012/13 respectively in accordance with Regulation 7 of the Accounts and Audit Regulations 2012.

Table 2 - 2013/14 remuneration for those senior employees required to be disclosed individually

Post Title	Name	Notes	Proportion charged to City's Casl activities where less than 100%	Salary (including fees and allowances)	Bonus	Expenses	Benefits in kind	Compensation for Loss of Office	Other Payments (Police Officers only)	Total Remuneration excluding pension contributions 2013/14	Pension Contributions	Total Remuneration including Pension Contributions 2013/14
			%	£000	£000	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year												
Town Clerk and Chief Executive	J. Barradell	i	35	73	0	0	0	0	0	73	13	86
Chamberlain	C. Bilsland	i	30	52	2	0	0	0	0	54	1	55
Salary is between £50,000 and £150,000												
Deputy Town Clerk	-	i	35	43	0	0	0	0	0	43	7	50
Director of Culture, Heritage & Libraries	-	i	5	5	0	0	0	0	0	5	1	6
Comptroller & City Solicitor	-	i	30	40	0	0	0	0	0	40	7	47
City Surveyor	-	i	50	70	2	0	0	0	0	72	1	73
Headmaster City of London School	to 311213			100	0	0	45	0	0	145	0	145
Acting Headmaster City of London School	frm 010114			27	0	0	0	0	0	27	4	31
Headmaster City of London Freemen's School	-			127	0	0	0	0	0	127	21	148
Headmistress City of London School for Girls	-			129	0	0	56	0	0	185	21	206
Remembrancer	-			129	0	1	0	0	0	130	23	153
Principal of the Guildhall School of Music & Drama	-			133	4	0	22	0	0	159	0	159
Private Secretary & Chief of Staff to the Lord Mayor	-			108	3	0	0	0	0	111	0	111
Director of Markets & Consumer Protection	-	i	35	35	0	0	0	0	0	35	6	41
Director of Open Spaces	-	i	75	74	2	0	14	0	0	90	14	104
				1,145	13	1	137	0	0	1,296	119	1,415

Page 42

Page 43

Table 3 - 2012/13 remuneration for those senior employees required to be disclosed individually

Post Title	Name	Notes	Proportion charged to City's Casl activities where less than 100%	Salary (including fees and allowances)	Bonus	Expenses	Benefits in kind	Compensation for Loss of Office	Other Payments (Police Officers only)	Total Remuneration excluding pension contributions 2012/13	Pension Contributions	Total Remuneration including Pension Contributions 2012/13
			%	£000	£000	£000	£000	£000	£000	£000	£000	£000
Salary is £150,000 or more a year												
Town Clerk and Chief Executive (started 10/9/2012)	J. Barradell	i	35	39	0	0	0	0	0	39	7	46
Town Clerk and Chief Executive (Left 16/9/2012)	C. Duffield	i	35	37	0	0	0	0	0	37	0	37
Chamberlain	C. Bilsland	i	30	52	2	0	0	0	0	54	0	54
Salary is between £50,000 and £150,000												
Deputy Town Clerk	-	i	35	42	0	0	0	0	0	42	7	49
Director of Culture, Heritage & Libraries	-	i	5	5	0	0	0	0	0	5	1	6
Comptroller & City Solicitor	-	i	30	39	0	0	0	0	0	39	7	46
City Surveyor	-	i	50	69	2	0	0	0	0	71	0	71
Headmaster City of London School	-			132	0	0	63	0	0	195	0	195
Headmaster City of London Freemen's School	-			126	0	1	0	0	0	127	21	148
Headmistress City of London School for Girls	-			127	0	0	51	0	0	178	21	199
Remembrancer	-			129	0	0	0	0	0	129	23	152
Principal of the Guildhall School of Music & Drama	-			127	5	0	37	0	0	169	0	169
Private Secretary & Chief of Staff to the Lord Mayor	-			107	3	0	0	0	0	110	0	110
Director of Markets & Consumer Protection	-	i	35	34	2	0	0	0	0	36	6	42
Director of Open Spaces	-	i	75	69	3	0	13	0	0	85	14	99
				1,134	17	1	164	0	0	1,316	107	1,423

Note to remuneration for senior employees disclosures

i. These officers provide services for the City of London Corporation's local authority and non-local authority activities. The remuneration included in tables 2 and 3 above relates to the proportion charged to City's Cash activities. The annualised salary for each of these officers is shown in table 4 below.

Table 4 - Annualised Salaries

Post Title		**Annualised Salary 2013/14 £000**	Annualised Salary 2012/13 £000
Town Clerk and Chief Executive *	-	**208**	217
Chamberlain	Chris Bilsland	**175**	174
Deputy Town Clerk	-	**123**	120
Director of Culture, Heritage & Libraries	-	**105**	102
Comptroller & City Solicitor	-	**135**	130
City Surveyor	-	**140**	137
Director of Markets & Consumer Protection	-	**98**	98
Director of Open Spaces	-	**100**	92

* In 2012/13, Chris Duffield held the post of Town Clerk and Chief Executive until 16 September 2012. His salary for the part-year to 16 September 2012 was £105,000. From 17 September 2012 the post has been held by John Barradell and his salary for the part-year to 31 March 2013 was £112,000.

5. VAT refund

Following lengthy consideration of a claim from the City, HMRC agreed that VAT should not have been applicable to certain charges for rent and services. The backdated VAT refund, received in full during 2012/13, amounted to £5.4m for City's Cash.

6. Tax Status

The City of London Corporation is a single legal entity and legislation treats it as a local authority for tax purposes. City Re Limited, a wholly-owned subsidiary of the City of London Corporation in its City's Cash capacity, conforms to the tax requirements for Guernsey companies.

7. Tangible fixed assets

Consolidated

	Land and Buildings		Plant	Assets	
	Investment Properties (c)	Freehold (a)	and Machinery	Under Construction	Total
	£m	£m	£m	£m	£m
Cost / Valuation					
At 1 April 2013	958.5	105.6	18.2	21.7	1,104.0
Additions	10.4	50.3	4.2	8.8	73.7
Revaluations	196.1				196.1
Disposals (b)	(45.0)	-	-	-	(45.0)
Transfers	-	10.2	8.4	(18.6)	0.0
At 31 March 2014	1,120.0	166.1	30.8	11.9	1,328.8
Depreciation					
At 1 April 2013	-	(16.5)	(12.8)	-	(29.3)
Charge for the year	-	(3.5)	(1.5)	-	(5.0)
At 31 March 2014	-	(20.0)	(14.3)	-	(34.3)
Net book value					
At 31 March 2013	958.5	89.1	5.4	21.7	1,074.7
At 31 March 2014	1,120.0	146.1	16.5	11.9	1,294.5

Leased assets included above:

Net book value					
At 31 March 2013	1.4	-	-	-	1.4
At 31 March 2014	1.5	-	-	-	1.5

Direct Services

	Land and Buildings		Plant	Assets	
	Investment Properties (c)	Freehold (a)	and Machinery	Under Construction	Total
	£m	£m	£m	£m	£m
Cost / Valuation					
At 1 April 2013	958.5	99.0	16.7	21.2	1,095.4
Additions	10.4	50.3	3.5	7.7	71.9
Revaluations	196.1				196.1
Disposals (b)	(45.0)	-	-	-	(45.0)
Transfers	-	10.1	8.5	(18.6)	0.0
At 31 March 2014	1,120.0	159.4	28.7	10.3	1,318.4
Depreciation					
At 1 April 2013	-	(15.4)	(12.5)	-	(27.9)
Charge for the year	-	(3.2)	(1.4)	-	(4.6)
At 31 March 2014	-	(18.6)	(13.9)	-	(32.5)
Net book value					
At 31 March 2013	958.5	83.6	4.2	21.2	1,067.5
At 31 March 2014	1,120.0	140.8	14.8	10.3	1,285.9
Leased assets included above:					
Net book value					
At 31 March 2013	1.4	-	-	-	1.4
At 31 March 2014	1.5	-	-	-	1.5

Notes:

a) Freehold land and buildings includes items acquired since April 2000 on the basis of depreciated historic cost. Consequently some of the significant City's Cash assets (e.g. Mansion House, Guildhall Complex, Schools and Markets) are included at nil cost as they were generally acquired well before April 2000 and their original acquisition costs are no longer available. Subsequent expenditure on these assets is capitalised in line with accounting policies.

b) (i) The disposal figure for investment properties of £45m represents the net carrying value. The profits on sales totalling £6.4m have been credited to the income and expenditure account.

(ii) Freehold land and buildings are held at depreciated historic cost. During the year a number of assets which were included at nil costs and fully depreciated and with no residual value were disposed of for £0.6m (2012/13: £2.4m). The disposal proceeds have been credited to the income and expenditure account as a profit on the sale of fixed assets.

c) The City Surveyor of the City of London Corporation, who is a fellow of the Royal Institution of Chartered Surveyors, values investment properties annually as at 31 March at market values determined in accordance with the "RICS Valuation –Professional Standards January 2014 edition" issued by the Royal Institution of Chartered Surveyors. Valuations are also provided by four firms of chartered surveyors – Cushman and Wakefield, BNP Paribas, Fleurets and CBRE, with the externally valued properties representing some 51% of the Estates' value as at 31 March 2014. As detailed in accounting policies note i, all other tangible fixed assets are valued at historic cost less depreciation on a straight-line basis to write off their costs over their estimated useful lives and less any provision for impairment.

d) Neither consolidated City's Cash nor Direct Services incurred any finance costs during the year ended 31 March 2014 (2012/13: nil) and no finance costs have been capitalised.

8. Heritage assets

Heritage assets are those with historical, artistic, scientific, technological, geophysical or environmental qualities which are maintained principally for their contribution to knowledge and culture. They are mainly held in trust for future generations.

Arising from its status and history, within its City's Cash fund, the City holds numerous heritage assets primarily open spaces, art and sculpture, prints, drawings and statues.

The City Corporation looks after almost 11,000 acres of open spaces across London and beyond, including Hampstead Heath and Epping Forest. Some of the sites have been owned and managed since as far back as 1870, protecting them from development and preserving them as a natural resource. They include important wildlife habitats, Sites of Special Scientific Interest, National Nature Reserves and outdoor space for sport, recreation and enjoyment for the public.

The art and sculpture collection is maintained as "a Collection of Art Treasures worthy of the capital" and includes a range of paintings documenting London's history. In addition, the City owns two heritage property assets, the Monument and Temple Bar, and two copies of the Magna Carta.

For some of the heritage assets the cost of obtaining reliable valuations in order to recognise them on the Balance Sheet outweighs the benefit of such recognition to the users of the financial statements. Furthermore, many of the assets are irreplaceable and/or there is often no active market for their sale, for example, valuations are not readily available for the original acquisition of open spaces land and their associated buildings, Monument, Temple Bar or the copies of the Magna Carta.

Nevertheless, the City's art and sculpture treasures, which represent the vast majority of the heritage assets, and recently acquired open space land are recognised for inclusion on the Consolidated Balance Sheet at a value of £182.2m (2012/13: £182.2m) as shown in the table below. Due to policy, budgetary and legal constraints there have been no significant acquisitions or disposals in the last five years.

	Consolidated		Direct Services	
	2014	2013	**2014**	2013
	£m	£m	**£m**	£m
Valuation				
At 1 April	**182.2**	181.9	**181.8**	181.8
Additions	**-**	0.3	**-**	-
Disposals	**-**	-	**-**	-
At 31 March	**182.2**	182.2	**181.8**	181.8
Comprising:				
Art and sculptures (notes a and b)	**181.8**	181.8	**181.8**	181.8
Forest land	**0.4**	0.4	**-**	-
	182.2	182.2	**181.8**	181.8

Notes:

a) The art works are included at cost, or where cost cannot be readily identified, on the basis of available information as a proxy for cost. Such information includes art market intelligence in relation to similar works, insurance requirements and some individual valuations from independent experts; and

b) Sculptures were valued at replacement cost by independent experts Gurr Johns.

c) Recent additions to forest land are recognised at cost.

All expenditure on preservation and conservation is recognised in the Consolidated Income and Expenditure Account when it is incurred.

Catalogues are maintained for the heritage assets and most of them are available for public viewing. The statues and properties (the Monument and Temple Bar) can be seen and experienced from the public highway, treasures on display at the Guildhall Art Gallery can be visited by anyone free of charge and most of the other assets, sometimes held within restricted areas such as the Mansion House, can be viewed by publicly available organised tours or by appointment.

9. Non-property investment assets

Analysis of movement in non-property investment assets:

	Consolidated 2014 £m	Direct Services 2014 £m
Market value at 1 April	**587.2**	**556.3**
Additions to investments at cost	**191.7**	**183.8**
Disposals at market value	**(179.4)**	**(167.1)**
Net gain on revaluation	**34.4**	**31.4**
Market value at 31 January	**633.9**	**604.4**
Cash held by the fund managers at 31 January	**21.8**	**21.0**
Total investments at 31 January	**655.7**	**625.4**
Less: realised investments	**(6.8)**	**(6.8)**
Movement in fair value	**1.5**	**2.5**
Total investments at 31 March	**650.4**	**621.1**

Total investments as at 31 March are analysed between long-term and short term investments as follows:

Long term	**568.6**	**540.1**
Short term	**81.8**	**81.0**
	650.4	**621.1**

	2013 £m	2013 £m
Market value at 1 April	518.0	492.2
Additions to investments at cost	135.5	127.8
Disposals at market value	(121.8)	(115.7)
Net gain / (loss) on revaluation	55.5	52.0
Market value at 31 March	587.2	556.3
Cash held by the fund managers at 31 March	16.8	16.7
Total investments at 31 March	604.0	573.0

Total investments as at 31 March are analysed between long-term and short term investments as follows:

Long term	513.8	485.5
Short term	90.2	87.5
	604.0	573.0

During 2013/14, the investment policy changed with funds held by City's Cash being transitioned on 31 January 2014 to Pooled Investment Vehicles. At the point of transition, City's Cash designated all non-property investment assets as 'fair value through profit and loss.' Non-property investment assets held to 31 January 2014 (the date of transition) have been accounted for as 'available for sale' financial assets.

10. Nature and extent of Risks arising from Financial Instruments

The City Of London Corporation's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due
- Liquidity risk – the possibility that the City might not have enough funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements

The City of London Corporation has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and sets treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code. The City's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a Central Treasury Team, under policies approved by the Court of Common Council in the annual treasury management strategy statement.

Credit Risk

Credit risk is the potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Credit risk principally arises from cash and cash equivalents, financial instruments and deposits with banks and financial institutions. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of Long term A, Short term F1 Viability bbb, Support 3. The City Corporation also invests in Money Market Funds, which are subject to a minimum credit rating of AAA. The lending list is reviewed on a regular basis using advice from credit rating agencies and in-house judgements based partially on credit default swap rates.

The creditworthiness of the counterparties on the City Corporation's lending list is carefully monitored. Security of the investments is paramount but with liquidity and yield also being considerations. By the end of the year the City effectively only had five potential borrowers in the form of banks and building societies and it was necessary to maintain high levels of individual maximum lending limits to accommodate lending requirements. The lending limit attributable to HSBC, Barclays and Royal Bank of Scotland Group Banks was maintained at maximum lending limits of £100m each, and the government supported Lloyds TSB Bank was fixed at £150m, this organisation being the City's banker. The lending limit for the Nationwide Building Society was maintained at £120m. The maximum duration for such loans was fixed at three years. The list also contains four foreign banks with individual limits of £25m, National Australia Bank, Australia and New Zealand Banking Group, NV Bank Nederlandse Gemeenten and Svenska Handelsbanken. However, these institutions do not normally operate in the City Corporation's marketplace. The lending list also includes five top rated Money Market Funds; CCLA, Federated Prime Rate Funds, Ignis Asset Management Liquidity Funds, Invesco and Payden Sterling Reserve Fund, which effectively offer daily liquidity for deposits.

The City's maximum exposure to credit risk in relation to its investments in banks and money market funds cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. No credit limits were exceeded during the reporting period and the City does not expect any losses from non-performance by any counterparty in relation to outstanding deposits.

The City does not generally allow credit for customers. Therefore the potential maximum exposure to credit risk is with customers for which prudent provision for bad debts has been included within the accounts based on the length of time past due and progress on recovery action. The past due but not impaired amount is summarised in the following table.

Bad debt provision	**As at 31 March 2014 £m**	As at 31 March 2013 £m
Less than three months	**3.1**	3.9
Three to six months	**0.2**	0.6
Six months to one year	**0.1**	0.1
More than one year	**0.1**	0.1
Total	**3.5**	4.7

Liquidity risk

Liquidity risk is the risk that City's Cash is unable to meet its payment obligations as they fall due. There is no significant risk that City's Cash will be unable to raise finance to meet its commitments under financial instruments. At present, City's Cash has no borrowing exposure and has no plans to borrow to finance future capital expenditure. City's Cash will finance operations and growth by realising investments as appropriate to ensure the constant availability of an appropriate amount of reasonably priced funding to meet both current and future forecast requirements. All trade creditors are due to be paid in less than one year.

Market risk

Interest rate risk

Movements in interest rates would have an impact on City's Cash. For instance, a rise in interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Statement of Financial Activities will rise
- investments at fixed rates – the fair value of the assets will fall

The continuing low interest rates for 2013/14 had an adverse impact on the interest earnings of City's Cash, which is anticipated to continue in 2014/15, although longer term deals are entered into wherever possible to earn higher rates when available. The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year.

If interest rates had been 1% higher, with all other variables held constant, the financial effect at 31 March 2014 would have been an increase in interest receivable of £0.4m.

Price Risk

Price risk is the risk of a decline in the value of a security or a portfolio. City's Cash minimises price risk through a strategy of diversification by holding a geographical spread of investments in the UK and overseas markets.

By taking the data available from the past three financial years, and making considered predictions of expected returns, in consultation with State Street Analytics, which is the firm the City of London uses for performance measurement, the following upwards/downwards movements in market price risk are reasonably possible for the 2014/15 reporting period.

Potential Market Movements

Asset type	**Change %**
UK equities	10.25
Overseas equities	11.93
UK bonds	7.14
Overseas bonds	8.37
UK index - linked	6.94
Overseas index - linked	8.37
Multi - asset	4.43
Cash	0.02
Total non-property investments	**9.12**

The potential percentage allowance for changes in asset values are within a one-standard deviation tolerance. Taking these changes, the potential increase/decrease in the market prices of the fund's assets have been derived, and provide a range of possible net asset values which would be available to meet the fund's liabilities.

Asset type	**Value £m**	**Change %**	**Value on increase £m**	**Value on decrease £m**
UK equities	37.7	10.25	41.6	33.8
Overseas equities	47.1	11.93	52.7	41.5
UK bonds	17.4	7.14	18.6	16.2
Overseas bonds	16.8	8.37	18.2	15.4
UK index - linked	17.0	6.94	18.2	15.8
Overseas index - linked	15.9	8.37	17.2	14.6
Multi - asset	414.7	4.43	433.1	396.3
Cash	14.3	0.02	14.3	14.3
Long-term UK deposits	2.0	0.00	2.0	2.0
Short-term UK deposits	67.5	0.00	67.5	67.5
Total non-property investments	**650.4**	**9.12**	**709.7**	**591.1**

The percentage change for equities includes a grouping of listed and private equities and the equity funds categorised elsewhere as pooled unit trusts. The percentage change for bonds includes a grouping of government and corporate fixed interest securities. Separate consideration of the individual asset types is not available.

Foreign Currency Risk

Foreign currency risk (also known as foreign exchange risk or exchange rate risk) is a financial risk that exists when a financial transaction or asset/liability is denominated in a currency other than that of the base currency of a company or investor. The risk is that a movement in the exchange rate may cause a foreign currency investment's value to either decrease or increase when the investment is sold and converted back into the original currency.

The following table has been prepared in consultation with State Street Analytics to show the illustrative effect on City's Cash' asset values that would result from movements in exchange rates.

Currency	**Value** £m	**Change** %	**Value on increase** £m	**Value on decrease** £m
North America investments	189.2	7.61	203.6	174.8
Europe (ex UK) investments	92.4	6.01	98.0	86.8
Asia Pacific investments	49.2	7.18	52.7	45.7
Emerging investments	15.6	6.37	16.6	14.6
Overseas total	346.4		370.9	321.9
UK investments and cash	234.5		234.5	234.5
Long-term UK deposits	2.0		2.0	2.0
Short-term UK deposits	67.5		67.5	67.5
Total non-property investments	**650.4**		**674.9**	**625.9**

11. Stocks of Finished Goods

A variety of purchased items are held in stock amounting to £0.3m (2012/13: £0.4m) to ensure responsive delivery of services, mainly relating to those provided at the City's open spaces, schools and ceremonial functions.

12. Debtors

	Consolidated		Direct Services	
	2014	2013	**2014**	2013
	£m	£m	**£m**	£m
Amounts falling due within one year:				
Sundry debtors (note a)	**12.7**	12.7	**12.1**	12.6
Rental debtors	**6.6**	4.5	**6.6**	4.5
School Fees	**3.9**	3.3	**3.9**	3.3
Prepayments and accrued income	**3.8**	7.9	**3.8**	7.9
VAT	**2.0**	1.8	**2.0**	1.8
Accrued interest	**1.8**	1.7	**1.8**	1.7
	30.8	31.9	**30.2**	31.8
Amounts falling due after more than one year:				
Sundry debtors	**0.4**	0.6	**0.4**	0.6
	0.4	0.6	**0.4**	0.6
	31.2	32.5	**30.6**	32.4

a) Sundry debtors as at 31 March 2014 included £4.8m (2012/13: £5.8m) due from the Guildhall School Trust towards the construction costs of the School's new premises at Milton Court.

13. Creditors – amounts falling due within one year

	Consolidated		Direct Services	
	2014	2013	**2014**	2013
	£m	£m	**£m**	£m
Sundry creditors	**26.5**	34.3	**23.8**	29.8
Rental income received in advance	**11.7**	11.6	**11.7**	11.6
Other receipts received in advance	**7.7**	7.3	**7.7**	7.3
Her Majesty's Revenue and Customs - VAT	**0.8**	0.8	**0.8**	0.8
	46.7	54.0	**44.0**	49.5

14. Deferred income

Capital grants and contributions are treated as deferred income as explained in accounting policies note f). The total sum deferred amounts to £66.8m, of which £1.9m is due within one year and £64.9m due within more than one year (2012/13: £15.5m, of which £1.4m due within one year and £15.1m due within more than one year), which largely relates to capital contributions towards education projects amounting to £65.6m (2012/13: £14.4m). Deferred income released to the Consolidated Income and Expenditure Account during the year amounted to £0.4m (2012/13: £0.3m).

15. Provisions

City Re Limited has set aside £1.9m (2012/13: £0.9m) for the settlement of known insurance claims at the balance sheet date. The estimate is based on a case by case assessment of each claim and takes into account previous claims experience.

16. Pensions

City of London Corporation defined benefit pension scheme

The City of London Corporation operates a funded defined benefit pension scheme, The City of London Pension Fund, for its staff employed on activities relating to its three funds (i.e. City Fund, City's Cash and Bridge House Estates).

The assets of the scheme are held in a specific trust separately from those of the Corporation and contributions are paid to the scheme as agreed with the scheme's Trustees. As the proportion of the Pension Fund that relates to City's Cash is not separately identifiable, the share of pension contributions paid to the scheme by the Trust is calculated pro-rata to employer's contributions paid by each of the City of London Corporation contributors to the scheme.

Accounting for the defined benefit scheme under FRS17

The full triennial actuarial valuation of the defined benefit scheme as at 31 March 2013 was updated to 31 March 2014, by Barnett Waddingham, an independent qualified actuary in accordance with FRS17. The defined benefit liabilities have been measured using the projected unit method as required by FRS17. The next actuarial valuation of the Scheme will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020.

The full actuarial valuation of the defined benefit scheme as at 31 March 2013 was updated to 31 March 2014, by an independent qualified actuary in accordance with FRS17. As required by FRS17, the defined benefit liabilities have been measured using the projected unit method.

The expected rate of return on the scheme's assets for the financial year ending 31 March 2014 was 7.0% p.a. (2013: 6.2% p.a.). This rate is based on the long-term future expected investment return for each asset class at the beginning of the period (i.e. as at 1 April 2014) for the year to 31 March 2015. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities is then assumed to be a margin above gilt yields.

At 31 March 2014, the actuarial deficit on City's Cash's share of the Scheme was £196.7m (2013: £167.5m). City's Cash's share of the market value of the Schemes' assets was £325.2m (2013: £317.0m).

The estimated amount of total employer contributions expected to be paid to the scheme by City's Cash during the year to 31 March 2015 is £8.7m (actual for year to 31 March 2014: £8.8m). This figure is calculated pro-rata to total contributions that will be payable by the City of London Corporation in accordance with the Schedule of Contributions towards the scheme's deficit.

(a) Major assumptions by the actuary

Financial

The financial assumptions used for the purposes of the FRS17 calculations are as follows:

Assumptions as at 31 March	2014 % per annum	2013 % per annum	2012 % per annum
RPI increases	3.6	3.4	3.3
CPI increases	2.8	2.6	2.5
Salary increases	4.3	4.8	4.7
Pension increases	2.8	2.6	2.5
Discount rate	4.4	4.5	4.6

Life expectancy

Assumed life expectancy from age 65 years	Sex	2014	2013
Age 65 retiring today	Male	22.9	19.2
Age 65 retiring today	Female	25.2	23.2
Retiring in 20 years	Male	24.6	21.1
Retiring in 20 years	Female	27.1	25.1

The table reflects the change in the mortality tables used for the 31 March 2014 valuation and allowance is made for future improvements in life expectancy.

Expected return on assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2014) for the year to 31 March 2015. The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The return on equities is then assumed to be a margin above gilt yields.

The expected return assumptions used for the purposes of the FRS17 calculations are as follows:

Asset class	Expected return at 1 April		
	2014 % per annum	2013 % per annum	2012 % per annum
Equities	7.7	7.1	7.4
Gilts	3.6	3.0	3.3
Other bonds	4.2	4.1	4.6
Cash	0.5	0.5	3.0
Total	**7.0**	**6.2**	**6.5**

(b) Amounts included in the balance sheet

The amounts included in the City's Cash and Direct Services balance sheets arising from the City of London Corporation Pension Fund's liabilities in respect of the defined benefit scheme for the current and previous two periods are as follows:

Net Pension Asset as at	2014 Direct Services	2014 City's Cash Consolidated	2014 City of London Corporation	2013 Direct Services	2013 City's Cash Consolidated	2013 City of London Corporation	2012 Direct Services	2012 City's Cash Consolidated	2012 City of London Corporation
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fair value of fund assets (bid)	278.7	**325.2**	663.6	271.7	**317.0**	646.9	233.1	**272.0**	555.0
Funded liability present value	(444.5)	**(518.6)**	(1,058.3)	(412.6)	**(481.4)**	(982.5)	(377.7)	**(440.6)**	(899.3)
Net liability	(165.8)	**(193.4)**	(394.8)	(140.9)	**(164.4)**	(335.6)	(144.6)	**(168.6)**	(344.3)
Unfunded liability present value	(2.8)	**(3.3)**	(6.7)	(2.6)	**(3.0)**	(6.2)	(2.7)	**(3.1)**	(6.3)
Net liability on balance sheet	(168.6)	**(196.7)**	(401.5)	(143.5)	**(167.5)**	(341.8)	(147.3)	**(171.7)**	(350.6)

£2.9m of the total unfunded liabilities as at 31 March 2014 relates to compensatory added years awarded prior to 1988.

The net pension fund liability of £196.7m in the Balance Sheet (2013: £167.5m) represents 49% of the total net balance sheet liability in the City of London Corporation Pension Fund Financial Statements.

(c) Amounts recognised in the consolidated income and expenditure account

	2014	2013
	£m	£m
Current service cost	**(11.9)**	(11.2)
Past service cost	**-**	-
Gains / (losses) on settlements and curtailments	**0.5**	(0.1)
Employer contributions	**8.8**	8.6
Unfunded pension payments	**0.3**	0.3
Net pension scheme costs	**(2.3)**	(2.4)
Expected return on pension scheme assets	**19.3**	17.5
Interest on pension scheme liabilities	**(21.7)**	(20.1)
Net finance expenses	**(2.4)**	(2.6)
Net charge to the Consolidated Income & Expenditure Account	**(4.7)**	(5.0)
Actual return on fund assets	**11.1**	47.9

(d) Amounts included in the statement of recognised gains and losses (STRGL)

	2014 £m	2013 £m
Actual return less expected return on pension scheme assets	**(8.2)**	30.3
Experience gains and (losses)	**7.6**	-
Changes in assumptions underlying the present value of liabilities	**(23.9)**	(21.0)
Actuarial gains/(losses) in pension scheme	**(24.5)**	9.3
Increase/(decrease) in irrecoverable surplus	-	-
Actuarial gains/(losses) recognised in the STRGL	**(24.5)**	9.3

(e) Asset allocation

The allocation of the scheme's assets at 31 March is as follows:

Employer asset share - bid value	**2014** £m	**2014** % per annum	2013 £m	2013 % per annum
Equities	**269.9**	**83**	250.4	79
Gilts	**35.8**	**11**	50.7	16
Other bonds	**16.3**	**5**	3.2	1
Cash	**3.3**	**1**	12.7	4
Total assets	**325.3**	**100**	317.0	100

(f) Movement in the present value of scheme liabilities

Changes in the present value of the scheme liabilities over the year are as follows:

Reconciliation of opening and closing balances of the present value of the defined benefit liability	**2014 £m**	2013 £m
Opening defined benefit liability	**(484.4)**	(443.7)
Current service cost	**(11.9)**	(11.2)
Past service cost	-	-
Interest cost	**(21.7)**	(20.1)
Actuarial gain / (losses)	**(18.7)**	(21.0)
Gains / (losses) on curtailments	**(0.2)**	(0.1)
Liabilities (assumed)/extinguished on settlements	**1.8**	-
Estimated benefits paid net of transfers in	**16.6**	15.1
Contributions by scheme participants	**(3.6)**	(3.6)
Unfunded pension payments	**0.3**	0.3
Closing defined benefit liability	**(521.9)**	(484.4)

(g) Movement in the scheme net liability

The net movement in the scheme liabilities over the year are as follows:

	2014 £m	2013 £m
Surplus (deficit) at the beginning of the year	**(167.5)**	(171.8)
Current service cost	**(11.9)**	(11.2)
Past service cost	**-**	-
Settlements and curtailments	**0.5**	(0.1)
Other finance expenses	**(2.4)**	(2.6)
Employers contributions	**8.8**	8.6
Unfunded pension payments	**0.3**	0.3
Actuarial gains / (losses)	**(24.5)**	9.3
Surplus (deficit) at the end of the year	**(196.7)**	(167.5)

(h) Movement in the present value of scheme assets

Changes in the fair value of the scheme assets over the year are as follows:

Reconciliation of opening and closing balances of the fair value of scheme assets	2014 £m	2013 £m
Opening fair value of scheme assets	**317.0**	272.0
Expected return on scheme assets	**19.3**	17.6
Actuarial gains / (losses)	**(5.8)**	30.3
Contributions by employer including unfunded	**9.1**	8.9
Contributions by scheme participants	**3.6**	3.6
Estimated benefits paid net of transfers in and including unfunded	**(16.8)**	(15.4)
Settlement prices received / (paid)	**(1.1)**	-
Closing value of scheme assets at end of period	**325.2**	317.0

(i) Historical information – Amounts for the current and previous periods

The following amounts for 2010-2014 have been recognised under the "Actuarial gains and losses on defined benefit pension scheme" heading within the Consolidated Statement of Total Recognised Gains and Losses:

	2014	2013	2012	2011	2010
	£m	£m	£m	£m	£m
Present value of defined benefit liability	**(521.9)**	(484.4)	(443.7)	(370.4)	(474.9)
Fair value of scheme assets	**325.2**	317.0	272.0	278.5	261.3
Deficit in the scheme	**(196.7)**	(167.5)	(171.7)	(91.9)	(213.6)
Experience adjustments on scheme liabilities	**5.2**	-	(0.1)	17.3	1.9
Percentage of scheme liabilities	**1.0%**	0.0%	0.0%	4.7%	0.4%
Experience adjustments on scheme assets	**(5.8)**	30.3	(24.7)	(3.5)	58.5
Percentage of scheme assets	**(1.8%)**	9.6%	(9.1%)	(1.3%)	22.4%
Cumulative actuarial gains and losses	**(36.0)**	(11.5)	(20.8)	59.8	(31.1)

The cumulative gains and losses in the table above start from 1 April 2005.

j) Sensitivity analysis

Below is listed the impact on the Scheme liabilities of changing key assumptions whilst holding other assumptions constant.

	£m	**£m**	**£m**
Adjustment to discount rate	0.1%	0.0%	(0.1%)
Present value of total liability	512.9	521.9	531.0
Projected service cost	10.5	10.7	10.9
Adjustment to long-term salary increase	0.1%	0.0%	(0.1%)
Present value of total liability	523.2	521.9	520.6
Projected service cost	10.7	10.7	10.7
Adjustment to pension increases and deferred revaluation	0.1%	0.0%	(0.1%)
Present value of total liability	529.9	521.9	514.0
Projected service cost	10.9	10.7	10.5
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of total liability	503.4	521.9	540.5
Projected service cost	10.3	10.7	11.1

(k) Projected pension expense for the year to 31 March 2015

No allowance has been made for the costs of any early retirements or augmentations which may occur over the year and whose additional capitalised costs would be included in the liabilities. As it is only an estimate, actual experience over the year may differ. No balance sheet projections have been provided on the basis that they will depend upon market conditions and the asset value of the scheme at the end of the following year.

	Projected Year to 31 March 2015 £m	Actual Year to 31 March 2014 £m
Service cost	(10.7)	(11.9)
Interest cost	(22.9)	(21.7)
Return on fund assets	22.7	19.3
Total expense	**(10.9)**	**(14.3)**
Employer contributions	**8.7**	**8.8**

17. Capital and Reserves

Consolidated	Balance at 1 April Restated £m	Additions £m	Disposals £m	Depreciation £m	Unrealised Gains /(Losses) £m	Transfers £m	**Balance at 31 March £m**
Operational Capital	116.2	63.3	-	(5.0)	-	-	**174.5**
Heritage Assets Reserve	182.2	-	-	-	-	-	**182.2**
Income Generating Fund							
- Investment Properties	16.6	10.4	-	-	-	-	**27.0**
- Non-Property Investments	436.4	191.7	(171.3)	-	-	111.8	**568.6**
- Revaluation Reserves:							
Investment Properties	941.9	-	(45.0)	-	196.1	-	**1,093.0**
Non-Property Investments	77.4	-	-	-	34.4	(111.8)	-
Income Generating Fund	1,472.3	202.1	(216.3)	-	230.5	-	**1,688.6**
Pension Reserve	(167.5)	-	(4.7)	-	(24.5)		**(196.7)**
Working Capital Fund	57.2	-	(45.5)	-	-	-	**11.7**
Total Capital and Reserves	1,660.4	265.4	(266.5)	(5.0)	206.0	-	**1,860.3**

Direct Services	Balance at 1 April Restated £m	Additions £m	Disposals £m	Depreciation £m	Unrealised Gains /(Losses) £m	Transfers £m	**Balance at 31 March £m**
Operational Capital	109.0	61.5	-	(4.6)	-	-	**165.9**
Heritage Assets Reserve	181.8	-	-	-	-	-	**181.8**
Income Generating Fund							
- Investment Properties	16.6	10.4	-	-	-	-	**27.0**
- Non-Property Investments	411.4	181.6	(158.4)	-		106.0	**540.6**
- Revaluation Reserves:							
Investment Properties	941.9	-	(45.0)	-	196.1	-	**1,093.0**
Non-Property Investments	74.6	-	-	-	31.4	(106.0)	-
Income Generating Fund	1,444.5	192.0	(203.4)	-	227.5	-	**1,660.6**
Pension Reserve	(143.5)	-	(4.1)	-	(21.0)	-	**(168.6)**
Working Capital Fund	61.3	-	(46.6)	-	-	-	**14.7**
Total Capital and Reserves	1,653.1	253.5	(254.1)	(4.6)	206.5	-	**1,854.4**

Notes to capital and reserves:

a) Operational Capital – reflects the balance sheet amount for operational assets.

b) Heritage Asset Reserve – reflects the balance sheet amount for heritage assets.

c) Income Generating Fund – comprises the asset values of investment properties and non-property investment assets, which generate the income to fund City's Cash activities and services.

d) Working capital Fund – reflects the balance sheet amount for net assets.

Release of the Investment Revaluation Reserve to Non-property investment assets Reserve

As indicated in the accounting policies, at the date of transition to pooled investment vehicles (31 January 2014), the non-property investment assets were designated as 'fair value through profit and loss'. Prior to transition, the investments were accounted for as 'available for sale' financial assets. This change in accounting treatment has required the release of the accumulated investment revaluation reserve of £111.8m to the non-property investment assets reserve.

18. Reconciliation of operating deficit to operating cash flows

	2014	2013
	£m	£m
Operating deficit	**(10.7)**	(7.2)
Add back depreciation	**5.0**	4.8
Add back net pension scheme costs	**2.3**	2.4
Less income on non-property investments and interest received	**(15.4)**	(20.3)
VAT refund	-	5.4
Non-Property Investments: Gain in fair value	**(1.5)**	-
Increase in stocks	**0.1**	(0.1)
(Increase) / decrease in debtors	**1.3**	(1.5)
Increase / (decrease) in creditors	**(7.3)**	3.4
Release of deferred income	**(0.4)**	6.3
Increase in provisions	**1.0**	-
Net cash outflow from operating activities	**(25.6)**	(6.8)

19. Returns on investments

	2014 £m	2013 £m
Investment income from managed funds	**13.5**	17.3
Interest received	**1.9**	3.0
Net cash inflow	**15.4**	20.3

20. Capital transactions and financial investments

	2014 £m	2013 £m
Purchase of tangible fixed assets	**(24.2)**	(21.0)
Acquisition of long-term non-property investments	**(191.7)**	(121.6)
Sale of tangible fixed assets	**52.0**	12.3
Disposal of long-term investments	**172.8**	121.8
Receipt of capital contributions - deferred to later years	**2.2**	-
Net cash inflow/(outflow)	**11.1**	(8.5)

21. Management of liquid resources

	2014 £m	2013 £m
Internally managed cash		
- Money market funds	**(1.4)**	(3.0)
- Fixed-Term Deposits	**6.9**	(10.9)
	5.5	(13.9)
Externally managed cash		
- Liquidity funds	**3.1**	0.3
- Current accounts	**(0.2)**	2.7
	2.9	3.0
Net cash inflow / (outflow)	**8.4**	(10.9)

22. Financial commitments

Material (in excess of £3m) contractual capital commitments are as follows:

	Consolidated		Direct Services	
	2014	2013	**2014**	2013
	£m	£m	**£m**	£m
Contracted for but not provided for				
- finance leases entered into	-	-	-	-
- other	**3.4**	7.0	**3.4**	7.0
	3.4	7.0	**3.4**	7.0

City's Cash has no material commitments under operating leases.

23. Related party transactions

The following disclosures are made in recognition of the principles underlying Financial Reporting Standard 8 concerning related party transactions.

All Members of the Committees governing City's Cash are appointed by the City of London Corporation to act on its behalf. The City of London Corporation also employs all staff. The costs of those staff employed directly on City's Cash activities are allocated to those activities accordingly.

The City of London Corporation provides support services for the activities undertaken by each of its funds. These support services include management, surveying, financial, banking, legal and administrative services. Where possible support service costs are allocated directly to the funds concerned. For those costs that cannot be directly allocated, apportionments are made between the City Corporation's funds on the basis of time spent. Premises costs are apportioned on the basis of areas occupied by services.

With regard to banking services, the City of London Corporation allocates all transactions to City's Cash at cost and credits or charges interest at a commercial rate.

The City of London Corporation also provides the above services to a number of charities. The cost of these services is borne by City's Cash in relation to most of these charities. A list of charities managed by the City of London Corporation is available on request from the Chamberlain.

City's Cash initially bears the full costs of corporate capital projects with the City's other funds, City Fund and Bridge House Estates, reimbursing their shares of expenditure in the years in which costs are accrued.

Transactions are undertaken by City's Cash on a normal commercial basis in compliance with the City's procedures irrespective of any possible interests.

As a matter of policy and procedure, the City of London Corporation ensures that Members and officers do not exercise control over decisions in which they have an interest.

Standing Orders

The City of London has adopted the following Standing Order in relation to declarations of personal and beneficial interests:

"If a matter for decision is under consideration by the Court, or any Committee thereof, in which a Member has a personal interest, he must declare the existence and nature of his interest in accordance with the Code of Conduct."

Disclosure

Members are required to disclose their interests and these can be viewed online at www.cityoflondon.gov.uk.

Members and Chief Officers have been requested to disclose related party transactions of £10,000 or more, including instances where their close family has made transactions with the City of London.

During 2013/14 the following transactions (rounded to the nearest thousand) were disclosed:

- a Member is Deputy Chairman of The City UK and a Director of Centre for London which received grants of £525,000 and £20,000 respectively;
- a Member declared that he was the Vice Chair of London Councils and another declared that he was an Ex-Officio Member. £873,000 was received for premises and services, and £25,000 paid for services from the organisation;
- a Member is Chairman of the Board of Governors of the City of London Academy Southwark. £17,000 was received from the Academy for the provision of services;
- a Member is a Trustee of the Museum of London. £201,000 was received from the Museum of London for services, and £10,000 paid for services;
- a Member sits on the Guild Church Council of St. Lawrence Jewry which received a grant of £71,000;
- a Member is the Executive Chairman of the Z/Yen Group Ltd. which received £15,000 towards the project 'Financing Tomorrow's Cities;
- a Member is a tenant of commercial premises for which £48,000 was received in rent and service charges;
- a Member is a director of a company leasing market premises for which £298,000 was received in rent and service charges;
- a Member is a senior adviser to PWC LLP which was paid £61,000 for consultancy services;

- a Member is a director of ‘London Works’ which was paid a contribution of £26,000;

- one Member declared that a member of their family worked for Knight Frank which was paid £34,000 for services;

- a Member is a partner with CMS Cameron McKenna who were paid £8,000 for legal services;

- six Members and one Chief Officer are directors of the ‘Lord Mayors Show Ltd’ which purchased services from City’s Cash at a cost of £26,000;

- five Members are trustees of Christ’s Hospital which is paid £48,000 annually for a ‘presentation’ place to secure the right to present one child per year to enter the school;

- twelve Members and one Chief Officer are governors of King Edwards School Witley which was paid £379,000 for six full fee bursaries and funding to match money raised from other donors;

- Mr. N. H. Wild served as a director of City Re Limited and of the insurance manager, JLT Insurance Management (Guernsey) Limited during the period. Management fees paid in respect of the financial year totalled £50,987; and

- profit commission calculated at 1.5% of City Re Limited’s profit before tax in the financial period is payable to the company manager JLT Insurance Management (Guernsey) Limited. An amount of £1,410 is payable as at 31 March 2014.

During 2012/13 the following transactions (rounded to the nearest thousand) were disclosed:

- A Member is a director of TheCityUK which received a grant of £780,000 from City’s Cash and paid City’s Cash £26,000 for rent and services. The same Member is a director of Centre for London which received a grant of £20,000.

- Two Members are governors of Christ’s Hospital which receives £48,000 annually for a ‘presentation’ place to secure the right to present one child per year to enter the school.

- Seventeen Members are also members of the Irish Society which received a grant of £30,000 primarily relating to community projects.

- Fourteen Members are governors of King Edward’s School Witley which received a grant of £363,000 for six full fee bursaries and funding to match money raised from other donors.

- One Member is a trustee of St. Paul’s Chorister Trust to whom the City made a donation of £15,000. The same Member is a Trustee of Guildhall School Trust from whom £48,000 was received for the provision of services.

- One Member is a senior adviser to PWC LLP which was paid £1,307,000 from City’s Cash for non-audit services provided to the City.

- A Chief Officer is a council member of CIPFA which was paid £141,000 for services provided.

- A Chief Officer's wife is a partner in Speechly Bircham LLP which was paid £25,000 for services provided.

- A Member who is a director of the Chartered Institute for Securities and Investment which paid the City £303,000 for rent and service charges.

- A Member is also a member of London Councils from whom City's Cash received £1,219,000 for works, goods and services and £524,000 for rent and service charges.

- A Member is a tenant of commercial premises for which £23,000 was received in rent and service charges.

- A Member is a director of a company leasing market premises paid £138,000 in rent and service charges to the City.

- A Member who is a churchwarden of St Lawrence Jewry which received a grant of £60,000 from City's Cash.

- Mr N H Wild served as a director of City RE Limited and of the insurance manager, JLT Insurance Management (Guernsey) Limited during the period. Management fees paid in respect of the financial year totalled £49,802.

- Profit commission calculated as 1.5% of City Re Limited's profit before tax in the financial period is payable to the company manager JLT Insurance Management (Guernsey) Limited. An amount of £12,348 is payable as at 31 March 2013.

Related Party Transaction with City Fund (the City Fund covers the City of London Corporation's activities as a local authority, police authority and port health authority).

During the year City's Cash sold two investment properties to City Fund to facilitate the reinvestment of the capital in refurbishment and redevelopment schemes to enable City's Cash to benefit from developers profits as well as returns on capital outlay. The sale proceeds also enable the full development exploitation of existing assets which otherwise would have to be sold to third parties to secure necessary funding for the capital works. To ensure the integrity of each of the funds, the two properties were independently valued by an external firm of chartered surveyors in accordance with the RICS Valuation Professional Standards (the 'Red Book'). The sale proceeds totalled £45.3m.

24. Contingent liabilities

The main contractor on a major capital project has submitted claims for time extensions and consequential additional costs. These are being assessed by the Contract Administrator and the Quantity Surveyor; at this stage a best estimate of City Cash's share of the contract cost has been accrued for in the accounts but it is possible that this cost could increase.

The City of London Corporation is in discussions with Government concerning a contribution of £50m from City's Cash upon completion of the Crossrail project. Subject to the outcome of these discussions, and the fulfilment of any associated conditions, the contribution could be made in instalments during 2018 and 2019.

25. Restatement of 2012/13 comparative figures

Recognition of FRS17 liability

For the first time an estimated share of the net liability in the City of London Pension Scheme has been included in the City's Cash accounts.

Previously City's Cash share of the estimated net deficit on the City of London Pension Scheme had not been included in the balance sheet. This exclusion arose because the estimated net deficit is the responsibility of the City of London as a whole, as one employer, rather than the specific responsibility of any of its three main funds. Thus City's Cash does not have an exclusive relationship with the City of London Pension Fund and the proportion of the Pension Fund relating to City of London employee members engaged on City's Cash activities is not separately identifiable. Consequently in accordance with FRS17, the pension arrangements have been treated as a defined contribution scheme in the City's Cash accounts. This meant that only the employer's contributions to the scheme have previously been included in the accounts as they become payable.

However, although the Pension Fund net deficit cannot be attributed precisely between the Corporation's three main funds, it is now considered that an apportionment of that deficit and inclusion in the respective balance sheets presents a fairer view of the funds' financial positions than if the deficit were to continue to be excluded. Accordingly an apportionment has been made which is based on employer's annual contributions to the fund.

Amounts included for 2012/13 have been restated from those published last year to include City's Cash estimated proportion of the net Pension Fund deficit, as shown in the income and expenditure account, consolidated statement of total recognised gains and losses and consolidated balance sheet and below.

Consolidated Income and Expenditure Account

For the year ended 31 March 2013

	Published 31 March 2013	Recognition of FRS17 Liability	Other adjustments	Restated 31 March 2013
	£m	£m	£m	£m
Income				
Investment Income - Property and Non-Property	73.1			73.1
Education	51.4			51.4
Markets	9.3			9.3
Open Spaces	4.7			4.7
City Representation	0.7			0.7
Economic Development	0.5			0.5
Other activities	0.8			0.8
Total Income	140.5	-	-	140.5
Expenditure				
Investments - Management Costs and Property Operating Expenses	21.6			21.6
Education	61.3			61.3
Markets	13.6			13.6
Open Spaces	21.0			21.0
City Representation	11.4			11.4
Economic Development	4.2		(0.3)	3.9
Management and Administration	7.9		0.3	8.2
Grants and other activities	4.3			4.3
Net pension scheme costs	-	2.4		2.4
Total Expenditure	145.3	2.4	0.0	147.7
Operating surplus / (deficit)	(4.8)	(2.4)		(7.2)
VAT refund	5.4			5.4
Profit on Sale of Fixed Assets	4.0			4.0
Net financing costs attributable to the pension scheme	-	(2.5)		(2.5)
Surplus / (deficit) before taxation	4.6	(4.9)		(0.3)
Taxation	-	-	-	-
Surplus / (deficit) for the financial year	4.6	(4.9)	0.0	(0.3)

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 March 2013

	Published 31 March 2013	Recognition of FRS17 Liability	Restated 31 March 2013
	£m	£m	£m
Surplus for the financial year	4.6	(4.9)	(0.3)
Unrealised gains			
Gain on revaluation of investment properties	56.7		56.7
Gain on revaluation of listed investments	55.5		55.5
Actuarial gain - defined benefit pension scheme	-	9.3	9.3
Total unrealised gains	112.2	9.3	121.5
Total gains recognised for the year	116.8	4.4	121.2

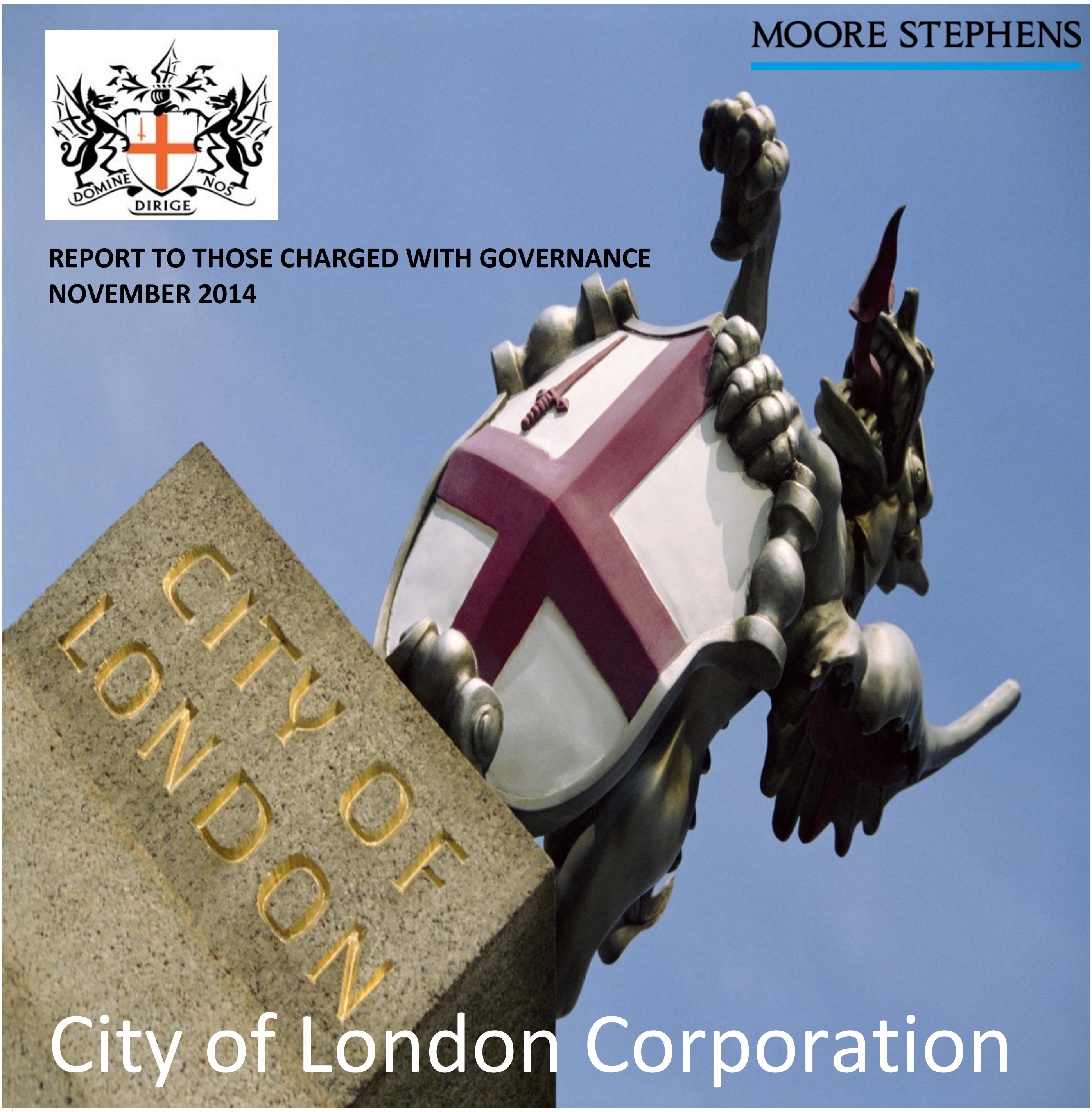
Consolidated Balance Sheet

At 31 March 2013

	Published 31 March 2013 £m	Recognition of FRS17 Liability £m	Restated 31 March 2013 £m
Fixed Assets			
Tangible assets	1,074.7		1,074.7
Heritage assets	182.2		182.2
Managed investments	513.8		513.8
Total Fixed Assets	1,770.7	-	1,770.7
Current Assets			
Stocks - finished goods	0.4		0.4
Debtors	32.5		32.5
Managed investments	90.2		90.2
Cash at bank and in hand	4.5		4.5
Total Current Assets	127.6	-	127.6
Creditors: amounts falling due within one year	54.9		54.9
Deferred income	15.5		15.5
Net Current Assets	57.2	-	57.2
Total Assets less Current Liabilities	1,827.9		1,827.9
Provisions for liabilities	-	-	-
Net Assets excluding pension liability	1,827.9	-	1,827.9
Defined benefit pension scheme liability	-	(167.5)	(167.5)
Net Assets	1,827.9	(167.5)	1,660.4
Capital and Reserves			
Operational Capital Reserve	116.2		116.2
Heritage Assets Reserve	182.2		182.2
Income Generating Fund	1,472.3		1,472.3
Working Capital Fund	57.2		57.2
Pension Reserve	-	(167.5)	(167.5)
Total Capital Employed	1,827.9	(167.5)	1,660.4

ANNEX 2

MOORE STEPHENS



REPORT TO THOSE CHARGED WITH GOVERNANCE
NOVEMBER 2014

City of London Corporation

City's Cash

DRAFT Audit Management Report on the 2013-14 Financial Statements Audit

www.moorestephens.co.uk

PRECISE. PROVEN. PERFORMANCE.

Contents

Audit management report for the year ended 31 March 2014

1 Purpose of the report

International Standard on Auditing (UK & Ireland) 260, "Communication with those charged with governance" requires Moore Stephens to report to those charged with governance on the significant findings from our audit.

This report aims to provide the City of London Corporation with constructive observations arising from the audit of City's Cash. We set out in this report details of:

- any expected modifications to our audit report;
- any unadjusted items in the financial statements (except any unadjusted items which are clearly trivial) including the effect of unadjusted items related to prior periods on the current period;
- any material weaknesses in systems we have identified during the course of our audit work and our views about the quality of accounting practices and financial reporting procedures; and
- any other relevant matters.

Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Our audit does not necessarily disclose every weakness and for this reason the matters referred to may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of the City of London Corporation;
- It must not be disclosed to any third party without our written consent; and
- No responsibility is assumed by us to any other person who may choose to rely on it for their own purposes.

The report has been discussed and agreed with the Chamberlain.

We would like to thank the Chamberlain, Dr Peter Kane, Caroline Al-Beyerty and the Finance Team for their co-operation and assistance during our audit.

2 Audit conclusion

In our opinion the financial statements give a true and fair view and comply with the UK GAAP.

We are pleased to report that our audit report, which is included in the financial statements, is unqualified. In our opinion, from information provided to us during the audit, no events or conditions appear to exist which cast doubt on the ability of City's Cash to continue as a going concern. We are therefore satisfied with the disclosures in the financial statements.

Our audit opinion is based on your approval of the financial statements and signing of the Letter of Representation, a draft of which has been included as an appendix to this report. Within the letter, you have confirmed that there are no subsequent events which require amendment to the financial statements.

3 Respective responsibilities

Responsibilities of Management

The City of London Corporation is responsible for preparing the City's Cash financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). It is also responsible for keeping proper accounting records and safeguarding assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibilities of the Auditor

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

The audit includes the consideration of internal controls relevant to the preparation of the financial statements but we do not express an opinion on the effectiveness of internal control. We are also required to communicate any significant matters arising from the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process. The matters being reported are limited to those deficiencies in control that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to those charged with governance.

International Standards on Auditing (UK and Ireland) do not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

Independence

International Standard on Auditing (UK & Ireland) 260, "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We can confirm that we have complied with the APB's Ethical Standard 1 – "Integrity, Objectivity and Independence". In our professional judgement the audit process has been independent and our objectivity has not been compromised.

Fee

The fee for the 2013-14 audit of City's Cash, Bridge House Estates, City's Cash Trusts and Sundry and Other Trusts amounts to £115,000. Of the total fee, £36,800 has been allocated to Bridge House Estates, with the remaining £78,200 being charged to City's Cash.

In our Audit Planning Report we set out that the fee was dependent upon:

- City of London Corporation delivering a complete Annual Report and Accounts of sufficient quality that have been subject to appropriate internal review on the date agreed;
- City of London Corporation delivering good quality supporting evidence and explanations within the agreed timetable; and
- Appropriate City of London Corporation staff being available during the audit.

No other non-audit fees have been raised in 2013-14.

4 Significant audit risks and risk factors

Significant audit risks

As noted in our audit planning report submitted to the Audit and Risk Management Committee in January 2014 the following audit risk areas were identified as significant matters and therefore considered in detail during our audit fieldwork.

Audit risk areas	Audit findings
Revenue recognition Under International Standard on Auditing (UK and Ireland) 240, there is a presumed, albeit rebuttable, significant risk of fraud in revenue recognition. We consider this risk cannot be rebutted for income in all organisations.	We have documented, evaluated and tested the controls which ensure income is completely and accurately recorded in the City's Cash group accounts. No significant weaknesses in controls have been identified. We have substantively tested material income streams and performed procedures to ensure income is complete. **Conclusion:** Satisfactory assurance has been gained in respect of the presumed risk of fraud in revenue recognition.
Management override Under International Standard on Auditing (UK and Ireland) 240, there is a presumed significant risk of material misstatement owing to fraud arising from the potential for management to override controls.	We carried out focused testing on journals, estimation techniques and any significant/unusual transactions. We reviewed significant estimates and judgements made in the financial statements for evidence of bias. No significant issues were noted in our testing. **Conclusion:** Satisfactory assurance has been gained in respect of the presumed risk of management override.
Asset Transfers We understand that the City of London Corporation is reviewing the possibility of the City Fund purchasing investment properties from the portfolios held by City's Cash in order to achieve a better rate of return.	We have reviewed the property transfer process to ensure that appropriate governance was applied to the property transfers between City Fund and City's Cash. Where properties have been transferred we have confirmed that market value was used and have agreed this to supporting valuation reports. We have reviewed the accounting entries in City's Cash and the City Fund to ensure that they were equal and opposite. No issues were noted in our testing. **Conclusion:** Satisfactory assurance has been gained in respect of the risk of asset transfers being materially misstated.
City of London Procurement Service The City of London Corporation are currently in negotiations with Accenture regarding the early termination of the contract whereby the two parties worked in partnership to deliver the City's Procurement and Purchase to Pay programme. The Corporation intends to run the service fully 'in-house' and therefore must ensure that a knowledge and skills transfer has taken place to provide for efficient and effective operation.	We have reviewed the knowledge transfer process in place for the ceasing of the Accenture contract and consider it to be reasonable. We note that there are a small number of posts that are yet to be filled and therefore there has not been a full knowledge transfer at this point. No significant delays in accounts payable processing were encountered during our audit. **Conclusion:** Satisfactory assurance has been gained in respect of the risk identified regarding the City of London Procurement Service.

During the audit we identified a further significant audit risk, related to managed investments, which we now bring to your attention.

Audit risk areas	Audit findings
Managed Investments During the 2013-14 financial year, the City of London Corporation has changed some of the investments held by fund managers across the Pension Fund, City's Cash and Bridge House Estates into Pooled Investment Vehicles. At the same time the opportunity has been taken to revise the accounting treatment for these managed investments. All managed investment funds have been designated as held for trading and have been accounted for as 'fair value movements through profit and loss' at the point of transition, as opposed to the previous accounting treatment of 'available for sale'. Designation is allowed when financial assets are managed and their performance evaluated on a fair value basis in accordance with an investment strategy. The effect of this is that movements in the market value of investments are shown as changes in fair value through the Income and Expenditure account rather than showing as unrealised investment reserve movements. The process for transitioning investments was not completed until 10 February, therefore managed investments required to be accounted for as 'available for sale' for the first ten months of the year, and 'fair value through profit and loss' for the final two months. The Corporation does not have detailed valuations of the funds at the point of transition, relying on valuations provided by the Transition Manager.	We have audited the value of additions, disposals, investment income and unrealised gains on managed investments to 31 January 2014. We have reviewed the market value of investments at 31 January from the fund Custodian and transition point (10 February) and consider them to be reasonable. We have audited the movement in fair value between 1 February and 31 March 2014. We have audited the realisation of unrealised gains through reserve movements at 31 January 2014. We have considered the designation of the financial assets and confirm it is in line with the requirements of accounting standards. No significant issues have been noted. However, an audit recommendation was raised on this area in our Audit Management Report on Bridge House Estates, City's Cash Trusts and Sundry and Other Trusts presented to the Audit and Risk Management Committee in July 2014. **Conclusion:** Satisfactory assurance has been gained in respect of the mitigation of the risk of managed investments being materially misstated.

Other risk factors

As noted in our audit planning report submitted to the Audit and Risk Management Committee in January 2014 the following audit risk areas were identified as risk factors which could potentially result in a material misstatement. The table below sets out our approach and conclusions to these risk factors.

Audit risk areas	Audit findings
Allocation of FRS 17 Pension Liability The City of London Corporation has decided to split the defined benefit pension liability (£342m at 31 March 2013) between the three funds for the first time in 2013-14. This split is likely to be done on the basis of pensionable pay. The City Fund liability requires valuation and disclosure in line with IAS 19 under International Accounting Standards, whereas Bridge House Estates and City's Cash will require valuation and disclosure in line with FRS 17 under UK GAAP. The magnitude of any differences between the two valuations is not yet known.	We have reviewed the methodology used to allocate the pension fund liability on the basis of pensionable pay as at 31 March 2014 and 31 March 2013 across the three funds. We have reviewed the prior year adjustment disclosures made to recognise the liability at 31 March 2013 and consider them satisfactory. The allocation has led to 49% of the total pension liability being allocated to City's Cash. The allocated liability at 31 March 2014 was £196.7m. We have reviewed the disclosures contained in the City's Cash accounts to ensure they meet the requirements of FRS 17. We have also considered the appropriateness of the assumptions used by the actuary in the calculation of FRS 17. **Conclusion:** Satisfactory assurance has been gained in respect of the pension liability accounted for within the accounts of City's Cash.
Major capital project Following the completion of a major capital project a claim has been made to the City of London Corporation for costs incurred. Amounts were recognised in the 2012-13 City's Cash financial statements as an accrual and contingent liability. As the claim progresses, the amounts recognised in the financial statements will require to be reviewed and reconsidered to ensure that they remain appropriate.	We have reviewed the updated accruals made against the project at 31 March 2014. We have reviewed the associated contingent liability disclosures contained in the City's Cash accounts to ensure they meet the requirements of FRS 12. **Conclusion:** Satisfactory assurance has been gained in respect of the major capital project accounted for within the accounts of City's Cash.

Audit risk areas	Audit findings
Crossrail funding An agreement was previously made that the City of London Corporation would seek voluntary contributions totalling £150m from London businesses subject to the full active support of Government, with City's Cash underwriting the first £50m. We understand that discussions with central government have moved on such that the City Corporation has agreed to assist the Crossrail Art Strategy in return for the Government relieving the commitment to fundraise up to £150m from City businesses and deferring the City's own underwriting of £50m to a future date beyond 2016.	Discussions have taken place during the year, culminating in the Policy and Resources Committee approving a report whereby City's Cash would support a Public Art Strategy in Crossrail stations, along with a £50m contribution. The report indicated that, subject to further discussions and the completion of Crossrail, the £50m contribution would be paid in two equal instalments in 2018 and 2019. There will no longer be a requirement for City's Cash to seek voluntary contributions from City businesses. No formal contract or associated conditionality has been agreed by the City. The amount has therefore been disclosed as a contingent liability as at 31 March 2014. We have reviewed the updated contingent liability disclosures contained in the City's Cash accounts to reflect this change and to ensure they meet the requirements of FRS 12. **Conclusion:** Satisfactory assurance has been gained in respect of the potential Crossrail funding accounted for within the accounts of City's Cash.
Service based review The City of London Corporation is undertaking a full service review of both City Fund and City's Cash to establish where savings can be made in future years to ensure a balanced budget. We understand that it is unlikely there will be any major financial impact in 2013-14.	There has been no financial impact arising from the service based review during 2013-14. We will continue to monitor the impact of the review on City's Cash during 2014-15. **Conclusion:** Satisfactory assurance has been gained in respect of the risk factor identified.
Application of FRS 102 We note the upcoming application of FRS102, the update to UK GAAP, and the associated changes to the Charities SORP in 2015-16. While this will not impact on 2013-14 directly, the balance sheets at 31 March 2014 will form the basis of the opening balance sheet for comparatives in the 2015-16 accounts. Planning is required now to ensure that all required disclosures will be able to be met.	No significant work has been performed on the transition to FRS102 at this point, but this is work in progress for the Corporation Finance Team. We will continue to monitor progress in this area during our 2014-15 audits. **Conclusion:** Satisfactory assurance obtained.
Oracle upgrade The City of London Corporation are planning to upgrade the Oracle finance system during the 2014-15 year. While this will have no financial impact on the 2013-14 financial statements, we recognise that there may be an impact on finance staff availability as the upgrade undergoes testing during our audit period.	As planned, we communicated our plan of work to the Corporation Finance Team in advance of our audit visits so that time on site was effective and efficient. **Conclusion:** No significant delays have been caused due to the Oracle upgrade.

Going concern and subsequent events

We are required under International Standard on Auditing (UK & Ireland) 570, "Going concern" to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements, and to consider whether there are material uncertainties about the company's ability to continue as a going concern which need to be disclosed in the financial statements.

The term "subsequent events" is used to refer to events occurring between the period end date of the financial statements and the date of the auditor's report. International Standard on Auditing (UK & Ireland) 560, "Subsequent events" requires us to assess all such matters before signing our audit report.

In order to gain assurance on these matters our work has included:

- performing a review of budgets and cash flow projections covering a period of 12 months from the expected signing of the audit report, together with management accounts for 2014-15;
- reviewing minutes of relevant City of London Corporation sub-committees held since 31 March 2014;
- enquiring of senior management and the company's solicitors concerning litigation, claims and assessments; and
- performing sample testing of post reporting date transactions.

Our work has not highlighted any concerns or issues affecting the ability of City's Cash to continue as a going concern.

Materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the misstatement.

Our assessment of materiality for the group financial statements was £1.5m, which has remained appropriate throughout the audit. Our assessment of materiality was set with reference to a range of benchmarks (including income, expenditure and net assets). We consider these to be the principal considerations for the users of the accounts when assessing the financial performance of City's Cash.

Our Audit Planning Report outlined the significant risks that were identified at the planning stage of the audit. We have designed procedures to mitigate the risk of material misstatement. Audit testing was completed by the audit fieldwork team and reviewed by the audit manager and audit partner. Our audit approach is based on performing a review of the significant accounting systems in place, tests of control, substantive testing and detailed analytical review. We set a performance (testing) materiality for each area of work which is based on a risk assessment for the area. We performed audit procedures on all transactions and balances that exceeded our performance materiality. This meant we performed a greater level of testing on the areas deemed to be of significant risk of material misstatement.

Area Risk Assessment	Weighting	Performance Materiality
High	40%	£0.6m
Medium	60%	£0.9m
Low	80%	£1.2m

5 Significant audit and accounting matters

Significant issues identified during our audit fieldwork

During the course of our audit work and following discussion with management we raised an additional significant audit risk (see section 4 above) with regards to accounting for managed investments. This report brings the matter forward for the attention of those charged with governance.

Adjustments agreed with management

During the final audit visit the accounting treatment for managed investments was discussed and a number of disclosure changes were agreed with management. In addition, we agreed two other adjustments, with no net effect, to the financial statement as detailed below: This resulted in a number of significant adjustments which were agreed and actioned by management within the financial statements. A summary of the effect of these is shown below.

	Income and Expenditure Account		Balance Sheet	
	DR £'000	CR £'000	DR £'000	CR £'000
Fees and Services Expenditure	137			
Payroll Expenditure		(137)		
Being the reclassification of payroll costs				
Sundry creditors			1,900	
Provisions				(1,900)
Being the reclassification of City Re Ltd Claims Reserve as a provision in the group accounts				
	137	**(137)**	**1,900**	**(1,900)**

All audit adjustments have been discussed and agreed with the Chief Accountant and Group Accountant.

Unadjusted items

We are obliged to bring to your attention the errors found during the audit that have not been corrected as not material, unless they are 'clearly trivial', which we have identified as below 1% of assessed materiality, subject to a de-minimis reporting level of £1,000. The items that we are aware of above this amount are set out below.

A summary of the net effect of the unadjusted items is shown below. A schedule of the unadjusted items can be found in appendix 2. Where the entity or fund is not noted below or in appendix 2, no adjustments were made

	Statement of Financial Activities		Balance Sheet	
	DR £'000	CR £'000	DR £'000	CR £'000
Revaluations – Investment Property				(110)
Investment Property Revaluation Reserve			110	
Being the correction of an error in revaluations recorded				
	0	**0**	**110**	**(110)**

It was agreed with the Chief Accountant and Group Accountant that these amounts were not considered material and did not require to be incorporated into the financial statements. We request that the Audit and Risk Management Committee confirm this decision.

Qualitative aspects of accounting practices and financial reporting

During the course of our audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. The following observations have been made:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	We have reviewed the significant accounting policies, which are disclosed in the financial statements, and we consider these to be appropriate to City's Cash. Two significant changes have been made in the City's Cash accounts during 2013-14. Firstly, pension costs are now accounted for as a defined benefit scheme across the three main City of London funds on a proportional basis. A prior year adjustment has been made to reflect this change in accounting policy. Secondly, following transition of managed investments to pooled investment vehicles (see 'Significant audit issues' above) in February 2014, all managed investments held by City's Cash have been designated as 'fair value through profit and loss'. These two changes in accounting policies have required additional disclosure to account for the changes in accounting treatment and transactions.
The timing of the transactions and the period in which they are recorded.	We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of accounting estimates or judgements used in the preparation of the financial statements. In particular, we have considered the judgements used in the valuation of investment property which has increased by £196m during the financial year, an increase of 20% - well in excess of the London average. The valuations have been performed by a number of valuers – internal and external – who have all provided consistent increases in value. The main reason for the valuation increase, is the concentration of property that City's Cash holds in the West End of London, (for example, New Bond Street) where values were increased by 35% during the revaluation, as opposed to an overall London average of 17%. In addition a number of properties were refurbished during the year and were valued significantly higher than prior valuations when valued at 31 March.
The potential effect on the financial statements of any uncertainties, including significant risks and disclosures such as pending litigation, that are required to be disclosed in the financial statements.	We have discussed with senior finance officers and reviewed documentation, where available to support the contingent liabilities recorded in the financial statements. As noted in section 4 of this report, no formal agreement on a proposed contribution to Crossrail from City's Cash, or any associated conditionality of funding has been reached and agreed by Members. A contingent liability disclosure has therefore been made in the financial statements.

Qualitative aspect considered	Audit conclusion
The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed in the financial statements.	From our testing performed, we identified no unusual transactions in the period. During the year, as part of the Milton Court development, new facilities were completed for the Guildhall School of Music and Drama at a cost of £87.8m. The facilities were built on behalf of GSMD by Heron International, with the company providing a contribution of £49.6m in return for being granted a long lease for The Heron residential tower (on the same site). The cost of £87.8m has been recognised as a fixed asset addition. Heron's contribution of £49.6m has been treated as deferred income. This income will be released over the assumed 50 year life of the asset.
Apparent misstatements in the annual report or material inconsistencies within the financial statements.	Our review of the annual report identified no misstatement or material inconsistency with the financial statements. We have requested a number of adjustments to improve the clarity of disclosures. The requested disclosures have been made.
Any significant financial statement disclosures to bring to your attention.	There are no significant financial statement disclosures that we consider should be brought to your attention, other than the changes in accounting policy noted above. All disclosures made are required by applicable accounting standards.
Disagreement over any accounting treatment or financial statement disclosure.	There was no disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	The audit timetable, agreed with the Finance Team, planned for City's Cash financial statements to be presented for audit on 20 June. During the audit of Bridge House Estates, City's Cash Trusts and Other Sundry Trusts, the Corporation indicated limited resources would impact on their delivery of the City's Cash accounts. By mutual agreement, City's Cash accounts were presented for audit on 8 August.

Management representations

We have requested that a signed representation letter, covering a number of issues, be presented to us at the date of signing the financial statements. A copy of this letter is included in appendix 4 to this report.

Fraud and irregularity

Responsibility for preventing and detecting fraud and other irregularities lies with management. We are not required to search specifically for such matters and our audit should not be relied upon to disclose them. However, we planned and conducted our audit so as to give a reasonable expectation of detecting any material misstatements in the financial statements resulting from improprieties or breach of regulations.

We are pleased to report that we did not identify any issues of concern in relation to fraud and irregularity.

Legality

We planned and performed our audit recognising that non-compliance with statute or regulations may materially affect the financial statements.

We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

6 Accounting systems and internal controls

During the course of our audit of the financial statements, we examined the principal internal controls which have been established to ensure, as far as possible, the accuracy and reliability of the company's accounting records and to safeguard the company's assets.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

Our work did not identify any system weaknesses.

Action plan – audit recommendations

We identified a number of observations which we consider require management action. Recommendations to address the observations are detailed in the action plan below, together with management responses.

Grade	Definition
1	major issues for the attention of senior management which may have the potential to result in a material weakness in internal control
2	important issues to be addressed by management in their areas of responsibility
3	problems of a more minor nature which provide scope for improvement.

Our report on Bridge House Estate, City's Cash Trusts and Sundry and Other Trusts as presented to the Audit and Risk Management Committee in July 2014 contained a number of priority 1 points for management. We have no further priority 1 points to raise in this report. A separate report has been provided to management containing points graded priority 2 and 3.

The priority 1 points already raised are in the following areas:

- Finance team expertise/capacity;
- City of London Almshouses fixed assets;
- Bridge House Estates reserves policy
- Bridge House Estates missing title deeds;
- Bridge House Estates review of risk management strategy;
- Physical access to the server room (IT Audit);
- Antivirus management (IT Audit);
- Data backup and restore (IT Audit).

7 Future financial reporting developments relevant to City's Cash

FRS 102

Entities that currently prepare their financial statements under UK GAAP, will be applying FRS 102 from accounting periods beginning on or after 1 January 2015. For City's Cash, this means that the 2015-16 financial statements will be presented under the new accounting framework.

Section 35 of FRS 102 sets out the transitional requirements. The basic rule is full retrospective application as at the date of transition. This means that the financial statements will need to be prepared as if FRS 102 had always been applied by City's Cash. The table below illustrates some possible impacts on the City's Cash financial statements as a result of moving to FRS 102.

Item	Current UK GAAP	FRS 102 at date of transition	Asset / liability impact	Equity impact
Property	Depreciated cost	Fair value as deemed cost	Asset increase	Retained earnings increase
Accumulated annual leave	Not recognised	Holiday Pay Accrual recognised	Liability increase	Retained earnings decrease
Bad debt provision	General and specific provision	Retrospective application – general provision not permitted	Decrease in provision, leading to increase in debtors	Retained earnings increase
Defined benefit pension	Multi-employer exemption	Retrospective application	Pension liability recognised	Retained earnings decrease
Investment property revaluation gains and losses	Fair value through Statement of Total Recognised Gains and Losses	Fair value through Profit and Loss	Increased volatility in Income Statement, leading to increased volatility in reserves.	Increased volatility in Income Statement.

Appendix 1 – Management representation letter for City's Cash

Moore Stephens LLP
150 Aldersgate Street
London
EC1A 4AB

Dear Sirs

City of London Corporation - City's Cash

This representation letter is provided in connection with your audit of the financial statements of City's Cash for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with UK Generally Accepted Accounting Practice.
By a resolution of the Finance Committee, passed today, we are directed to confirm to you, in respect of the financial statements of City's Cash (and its subsidiaries) for the year ended 31 March 2014, the following:-

1. We have fulfilled our responsibilities for preparing financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice and for making accurate representations to you.
2. We have provided you with:
    - access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
    - additional information that you have requested from us for the purpose of the audit; and
    - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We acknowledge our responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
5. We confirm that we have disclosed separately to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
6. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
    - management
    - employees who have significant roles in internal control
    - others where the fraud could have a material effect on the financial statements.
7. We are not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to us by employees, former employees, analysts, regulators or other third parties.
8. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. In our opinion, the significant assumptions that have been used in determining fair values, whether such values are disclosed or applied in the financial statements, are reasonable and reflect the ability and intent to carry out specific courses of action, where this is relevant to the determination of those values.
10. In our opinion the significant assumptions used in making accounting estimates are reasonable.
11. We have disclosed to you the identity of City's Cash related parties and all related party relationships and transactions of which we are aware.
12. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of UK Generally Accepted Accounting Practice.

13. In particular, no director, shadow director, their connected persons or other officers had any indebtedness, agreement concerning indebtedness or disclosable interest in a transaction with the group at any time during the year, other than as indicated in the financial statements.

14. There are no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

15. There are no plans to abandon activities or other plans or intentions that will result in any excess or obsolete stocks, and no stock is stated at an amount in excess of net realisable value.

16. The group has satisfactory title to all assets and there are no liens or encumbrances on City's Cash assets, other than as disclosed in the financial statements.

17. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that we have given to third parties.

18. All events subsequent to the date of the financial statements and for which UK Generally Accepted Accounting Practice require adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, we will advise you accordingly.

19. The group has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

20. Except as disclosed in the financial statements, the results for the year were not materially affected by:

    - any change in accounting policies;
    - transactions of a type not usually undertaken by the group;
    - circumstances of an exceptional or non-recurrent nature; or
    - charges or credits relating to prior periods.

21. We have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with UK Generally Accepted Accounting Practice.

22. We have reviewed the reasoning for the classification of the proposed contribution by City's Cash to Crossrail as a contingent liability and consider that given the uncertainties surrounding the finalisations of an agreed contribution, this is the most appropriate classification of the likely costs.

23. We have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date on which the financial statements were approved.

24. We confirm the financial statements are free of material misstatements, including omissions. We believe that those uncorrected misstatements identified during the audit are immaterial both individually and in aggregate to the financial statements as a whole. A list of these items is attached to this letter of representation, together with our reasons for not correcting them.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

....
The Chamberlain of London
Signed on behalf of the City of London Corporation
On (date)

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