

CITY'S CASH

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2013**

CONTENTS

	Page
Annual Report	1
Adoption of the Annual Report and Financial Statements	9
Independent Auditor's Report	10
Report of the Audit Panel	11
Consolidated Income and Expenditure Account	12
Consolidated Balance Sheet	13
Direct Services Balance Sheet	14
Consolidated Statement of Total Recognised Gains and Losses	15
Consolidated Cash Flow Statement	15
Statement of Significant Accounting Policies	16
Notes to the Financial Statements	24

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.

<i>Registered Address</i>	Guildhall, London, EC2P 2EJ
<i>Chief Executive</i>	The Town Clerk of the City of London
<i>Treasurer</i>	The Chamberlain of London
<i>Solicitor</i>	The Comptroller and City Solicitor
<i>Bank</i>	Lloyds TSB Bank plc
<i>Discretionary Fund Managers</i>	Artemis Investment Management; GMO (UK) Ltd; LSV Asset Management; and Ruffer LLP.
<i>Chartered Accountants and Statutory Auditor</i>	Deloitte LLP, Chartered Accountants and Statutory Auditor.

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 last year. This annual report and financial statements brings these components together and provides 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). The format and content vary significantly from the previous basis of preparation. Given the substantial nature of the changes and the fact that the 2012/13 financial statements are the first to show the complete financial picture for City's Cash, a detailed restatement note would not be meaningful to readers.

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 our 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 £51.5m for the year ending 31 March 2013 (gross investment income of £73.1m, less investment management costs of £21.6m) 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, 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 Freeman's School and the Guildhall School of Music and Drama), and work in surrounding boroughs supporting education, training and employment opportunities.

Education

Gross Expenditure £61.3m, Gross Income £51.4m, Net Expenditure £9.9m

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 Freeman'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 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 intuitions.

Markets

Gross Expenditure £13.6m, Gross Income £9.3m, Net Expenditure £4.3m

The City Corporation runs three wholesale food markets, of which two, Billingsgate and Smithfield are funded by City's Cash and New Spitalfields by 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; it's magnificent Grade II listed surroundings see around 120,000 tonnes pass through each year.

Open Spaces

Gross Expenditure £21.0m, Gross Income £4.7m, Net Expenditure £16.3m

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 £11.4m, Gross Income £0.7m, Net Expenditure £10.7m

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 charged with maintaining and enhancing the City's status and ensuring that its established rights are protected. In the contemporary context the work of the Parliamentary Team encompasses day to day contact with officials in Government departments responsible for developing government policy, the drafting and promotion of legislation and responsibility for relations with both Houses of Parliament and their committees. The work also includes briefings for debates in which the City Corporation or its stakeholders in the City have an interest. The Office monitors the activities of the GLA and its associated bodies and their effect on the City.

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 £4.2m, Gross Income £0.5m, Net Expenditure £3.7m

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 £7.9m, Gross Income £nil, Net Expenditure £7.9m

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 £4.3m, Gross Income £0.8m, Net Expenditure £3.5m

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 Audit and Risk Management Committee oversees the City of London Corporation's systems of internal control and makes recommendations to the Finance Committee relating to the approval of the Financial Statements. The Committee also oversees the City Corporation's risk management strategy, anti-fraud and corruption arrangements, to ensure that the organisation's assurance framework properly reflects the risk environment.

The risk management strategy includes the preservation of City's Cash assets, the enhancement of productivity for service users and members of the public and the protection of its employees.

An Audit 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 applicable law and International Standards on Auditing (UK and Ireland).

A Risk Management Group is in place 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.

The City of London Corporation has approved a strategic risk register for all of its activities. This register helps to formalise existing processes and procedures and enables the City of London Corporation to further embed risk management practices throughout the organisation.

6. Financial Review

As set out in the table below the Consolidated Income and Expenditure Account records a surplus for the year of £4.6m (2011/12: £9.6m) on a turnover of £140.5m (2011/12: £142.9m). However, this surplus is after benefitting from several one-off receipts, particularly £5.4m from a VAT refund and £4.0m profit on disposal of assets. Without one-off receipts the underlying position was a deficit of £4.8m (2011/12: surplus of £5.9m).

Income and Expenditure for the year ended 31 March 2013:

	2013	2013	2013	2012	2012	2012
	Income	Expend	Net	Income	Expend	Net
		- iture	income		- iture	income
			/(cost)			/(cost)
	£m	£m	£m	£m	£m	£m
Service / activity						
Investments	73.1	21.6	51.5	77.8	17.0	60.8
Education	51.4	61.3	(9.9)	51.2	61.9	(10.7)
Markets	9.3	13.6	(4.3)	8.9	11.3	(2.4)
Open Spaces	4.7	21.0	(16.3)	3.1	21.2	(18.1)
City Representation	0.7	11.4	(10.7)	0.6	11.1	(10.5)
Economic Development	0.5	4.2	(3.7)	0.5	3.7	(3.2)
Management & administration	0.0	7.9	(7.9)	0.0	6.8	(6.8)
Other activities	0.8	4.3	(3.5)	0.8	4.0	(3.2)
	140.5	145.3		142.9	137.0	
Operating (deficit) / surplus			(4.8)			5.9
VAT refund			5.4			-
Profit on Sale of Fixed Assets			4.0			3.1
Funds from charity transfer			0.0			0.6
Surplus before taxation			4.6			9.6
Taxation			-			-
Surplus for the financial year			4.6			9.6

The reduction in income from £142.9m in 2011/12 to £140.5m in 2012/13 is largely due to a fall in investment income as a result of the expiry of several whole building leases partially mitigated by a number of lettings of small units with lower rental income.

Expenditure has increased from £137.0m in 2011/12 to £145.3m in 2012/13 mainly as a result of:

- Investment property costs increasing by £3.9m primarily due to non-routine structural maintenance and other holding costs associated with investment property developments;
- Markets expenditure increasing by £2.3m largely due to one-off costs establishing new working arrangements at Billingsgate Market; and
- Management and administration costs being £1.1m higher mainly due to 2011/12 including a one-off reduction relating to the release of a provision previously made for the revenue cost elements of Guildhall Complex projects.

Recognised but unrealised gains on investment properties and investments with fund managers were £56.7m and £55.5m respectively (2011/12: £81.3m gain and £1.2m loss). When taken

together with the surplus for the year of £4.6m, reserves have increased by £116.8m from £1,711.1m to £1,827.9m (2011/12: increase in reserves of £89.7m).

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

7. Explanation of the Financial Statements

The financial statements are not governed by any statutory requirements. They have been prepared in accordance with UKGAAP for the first time and the format and content vary significantly from the previous basis of preparation. Comparative figures for the previous year have been included though a restatement note is not provided as explained in note 22 on page 43.

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:
 - Ashted Common,
 - Burnham Beeches,
 - Epping Forest,
 - Hampstead Heath,
 - 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 capture underwriting profits with a known capped downside financial risk of £250,000.

8. Disclosure of Information to Deloitte

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 Deloitte 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 Deloitte 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 19 November 2013, the financial statements of City's Cash were approved on behalf of the Court of Common Council.

Roger A. H. Chadwick
Chairman of Finance Committee
Guildhall, London.
19 November 2013

Raymond Michael Catt
Deputy Chairman of Finance Committee
Guildhall, London.
19 November 2013

Independent Auditor's Report to the City of London Corporation

We have audited the non-statutory financial statements of that portion of the City of London Corporation called City's Cash for the year ended 31 March 2013 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 22. The financial reporting framework that has been applied in their preparation 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 engagement letter dated 11 June 2013 and solely for the purpose of showing the results of City's Cash stewardship of the resources entrusted to it. Our audit work has been undertaken so that we might state to the City of London Corporation those matters we are required to state to them in an independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Corporation and auditor

As explained more fully in the Responsibilities of the City of London Corporation Statement, the City of London Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the 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's and the Corporation's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; 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. 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's and of the Corporation's affairs as at 31 March 2013 and of the group's surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

19 November 2013

Heather Bygrave (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

St. Albans, United Kingdom

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 24 June 2011, 25 June 2012 and 24 June 2013 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 Deloitte LLP for the audit of City's Cash for the period from 1 April 2012 to 31 March 2013.

In our view the audit of the financial statements has been conducted in accordance with auditing procedures as stated on page 10.

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

N. Bennett

A. de Lacey

J. Griffin

W. Owen

The Deloitte LLP Engagement Partner, Heather Bygrave, 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 Deloitte LLP have been conducted in accordance with auditing procedures, it is not appropriate for Heather Bygrave to sign the report.

Consolidated Income and Expenditure Account

For the year ended 31 March 2013

	Notes	2013 £m	2012 £m
Income			
Investment Income - Managed Funds and Property		73.1	77.8
Education		51.4	51.2
Markets		9.3	8.9
Open Spaces		4.7	3.1
City Representation		0.7	0.6
Economic Development		0.5	0.5
Other activities		0.8	0.8
Total Income	1	140.5	142.9
Expenditure			
Investments - Management Costs and Property Operating Expenses		21.6	17.0
Education		61.3	61.9
Markets		13.6	11.3
Open Spaces		21.0	21.2
City Representation		11.4	11.1
Economic Development		4.2	3.7
Management and Administration		7.9	6.8
Grants and other activities		4.3	4.0
Total Expenditure	2, 3 and 4	145.3	137.0
Operating (deficit) / surplus		(4.8)	5.9
VAT refund	5	5.4	-
Profit on Sale of Fixed Assets		4.0	3.1
Funds from charity transfer		-	0.6
Surplus before taxation		4.6	9.6
Taxation	6	-	-
Surplus for the financial year		4.6	9.6

All amounts relate to continuing operations.

The notes on pages 16 to 43 form part of these financial statements.

Consolidated Balance Sheet

At 31 March 2013

	Notes	2013 £m	2012 £m
Fixed Assets			
Tangible assets	7	1,074.7	1,010.4
Heritage assets	8	182.2	181.9
Managed investments	9	513.8	458.5
Total Fixed Assets		1,770.7	1,650.8
Current Assets			
Stocks - finished goods	10	0.4	0.3
Debtors	11		
- due within one year		31.9	31.0
- due after one year		0.6	0.0
Managed investments	9	90.2	79.3
Cash at bank and in hand		4.5	10.4
Total Current Assets		127.6	121.0
Creditors: amounts falling due within one year	12	54.9	51.5
Deferred income	13	15.5	9.2
Net Current Assets		57.2	60.3
Net Assets		1,827.9	1,711.1
Capital and Reserves			
Operational Capital Reserve		116.2	107.1
Heritage Assets Reserve		182.2	181.9
Income Generating Fund		1,472.3	1,361.8
Working Capital Fund		57.2	60.3
Total Capital Employed	14	1,827.9	1,711.1

Chris Bilsland
Chamberlain of London
19 November 2013

Direct Services Balance Sheet

At 31 March 2013

	Notes	2013 £m	2012 £m
Fixed Assets			
Tangible assets	7	1,067.5	1,003.7
Heritage assets	8	181.8	181.8
Managed investments	9	485.5	435.4
Investment in subsidiary		0.5	0.5
Total Fixed Assets		1,735.3	1,621.4
Current Assets			
Stocks - finished goods	10	0.4	0.3
Debtors	11		
- due within one year		31.8	31.1
- due after one year		0.6	0.0
Managed investments	9	87.5	74.9
Cash at bank and in hand		1.4	6.7
Total Current Assets		121.7	113.0
Creditors: amounts falling due within one year	12	49.5	46.3
Deferred income	13	10.9	5.1
Net Current Assets		61.3	61.6
Net Assets		1,796.6	1,683.0
Capital and Reserves			
Operational Capital Reserve		109.0	100.3
Heritage Assets Reserve		181.8	181.8
Income Generating Fund		1,444.5	1,339.3
Working Capital Fund		61.3	61.6
Total Capital Employed	14	1,796.6	1,683.0

Direct services represent those services directly provided by the City's Cash fund of the City of London Corporation, rather than by a subsidiary of the Corporation.

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 March 2013

	Notes	2013 £m	2012 £m
Surplus for the financial year		4.6	9.6
Unrealised gains			
Gain on revaluation of investment properties	7	56.7	81.3
Gain / (loss) on revaluation of listed investments	9	55.5	(1.2)
Total unrealised gains		112.2	80.1
Total gains recognised for the year		116.8	89.7

Consolidated Cash Flow Statement

For the year ended 31 March 2013

	Notes	2013 £m	2012 £m
Net cash (outflow) / inflow from operating activities	15	(2.8)	5.8
Returns on investments	16	20.3	20.8
Capital transactions and financial investment	17	(12.5)	4.8
Cash inflow before management of liquid resources		5.0	31.4
Management of liquid resources	18	(10.9)	(26.2)
(Decrease) / increase in cash in the year		(5.9)	5.2

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) for the first time in 2012/13 as described in note 22 on page 43. The financial statements are prepared under the historical cost convention modified to include the revaluation of certain financial assets and liabilities.

b) **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.

c) **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.

d) **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.

e) **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.

f) **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.

g) **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.

h) **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.

i) **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.

j) **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 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 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.

k) **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.

l) **Heritage Assets**

Financial Reporting Standard 30: Heritage Assets requires the separate disclosure of such assets on the face of the Balance Sheet. 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. City's Cash heritage assets largely comprise art and sculpture treasures valued, in accordance with Financial Reporting Standard 30, on the basis of available information - including at cost for the acquisition of new assets. The art works are valued on a "rolling" basis using art market intelligence in relation to sales of similar works and indexation and some individual valuations from recognised experts in the field. 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.

m) **Non-property Investments Assets**

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. Investment income is accounted for on an accruals basis. Income is recognised for dividends declared in respect of the period to 31 March but which have not yet been received.

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 end of the year. Gains or losses for the year are transferred to the Investment Revaluation Reserve.

n) **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

City's Cash as lessee

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.

o) 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.

p) 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.

q) **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.

r) **Cash**

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

s) **Stocks of Finished Goods**

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

t) **Pension Costs**

Non-Teaching Staff

The City of London Corporation operates a funded defined benefit pension scheme for its staff who are employed on activities relating to its three funds (i.e. City Fund, City's Cash and Bridge House Estates). 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. Neither is the portion of the Pension Fund that relates to City of London employee members engaged on City's Cash activities separately identifiable. Consequently, in accordance with the principles of FRS17, the pension arrangements are treated as a defined contribution scheme in the City's Cash accounts. This means that pension costs are accounted for on the basis of contributions payable and the surplus or deficit on the Pension Fund is not included in the City's Cash Balance Sheet.

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.

u) **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.

v) **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.

w) **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.

x) **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.

y) **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 14.

z) **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 aa), 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.

aa) **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 those relating to investment properties and heritage assets.

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 £9.6m 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:

	2013	2012
	£m	£m
Dividends from managed investments and interest on fund balances	20.3	20.8
Rentals, service charges and dilapidations income	52.8	57.0
Total investment income *	73.1	77.8

The reduction in income from £77.8m to £73.1m is largely due to the expiry of several whole building leases partially mitigated by a number of lettings of small units with lower rental income.

* Rent receivable in 2012/13 in respect of operating leases was £46.2m (2011/12: £48.6m).

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:

	2013	2012
	£m	£m
Non-property investments - management fees paid to fund managers	3.7	3.0
Property investment expenses	17.9	14.0
Total Investment Management Costs	21.6	17.0

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. The increase from £17.0m in 2011/12 to £21.6m in 2012/13 primarily relates to one-off structural maintenance and holding costs associated with investment property developments and increased non-property fund managers' fees which can vary each year depending on performance of both annual income and investment gains.

Markets

Expenditure has increased from £11.3m to £13.6m largely as a result of one-off costs establishing new working arrangements at Billingsgate Market.

Management and Administration

The increase from £6.8m to £7.9m is mainly due to 2011/12 including a one-off reduction relating to the release of a provision previously made for the revenue cost elements of Guildhall Complex projects.

Depreciation

The operating deficit is stated after charging depreciation amounting to £4.8m (2011/12: £4.6m).

Operating Lease Rentals

During the year of account City's Cash spent £0.6m on operating lease rentals in respect of premises (2011/12: £0.6m).

Auditor's remuneration

Remuneration to the external auditor (Deloitte LLP) for audit services relating to the year of account amounted to £139,400 (2011/12: £96,500). The increase is due the audit of the transition to UKGAAP. Other fees payable to Deloitte LLP for non-audit services during the year totalled £227,600 (2011/12: £44,500). This included £212,695 paid to Deloitte Real Estate (DRE), a trading name of Deloitte LLP, to research into the renewal of appropriate lease terms at Smithfield Market and to assist the City Corporation with its negotiations. DRE were originally appointed and commenced research work in 2009, at a time when they were named Drivers Jonas LLP and prior to their being taken over by Deloitte LLP in 2010.

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 £8,600 (2011/12: £5,600) 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:	2013 FTE	2012 FTE
Investment properties	17.6	16.7
Education	600.6	578.3
Markets	98.5	94.0
Open spaces	297.5	322.5
City representation	68.8	72.2
Grants and other activities	9.0	7.9
Total	1,092.0	1,091.6

Their remuneration comprised:	Gross Pay £m	National Insurance £m	Pension Contribution £m	2013 £m	2012 £m
Investment properties	0.4	0.0	0.1	0.5	0.5
Education	29.4	2.4	4.0	35.8	34.1
Markets	2.8	0.3	0.4	3.5	3.5
Open spaces	8.7	0.7	1.3	10.7	10.4
City representation	2.8	0.2	0.4	3.4	3.3
Grants and other activities	0.5	0.1	0.0	0.6	0.6
Total	44.6	3.7	6.2	54.5	52.4

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 £000	2012/13 Number of Employees	2011/12 Number of Employees
Education	60-69,999	43	45
	70-79,999	16	12
	80-89,999	2	2
	110-119,999	1	1
	120-129,999	2	2
	130-139,999	3	3
Markets	60-69,999	3	3
	90-99,999	1	1
Open Spaces	60-69,999	1	1
	90-99,999	1	1
City Representation	60-69,999	1	1
	70-79,999	2	2
	100-109,999	1	1
	120-129,999	1	1
Grants and other activities	140-149,999	1	1
	150-159,999	1	0
	160-169,999	0	1

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 2012/13 and 2011/12 respectively in accordance with Regulation 7 of the Accounts and Audit Regulations 2012.

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 2012/13 £000	Annualised Salary 2011/12 £000
Town Clerk	John Barradell	200	-
Town Clerk	Chris Duffield	225	225
Chamberlain	Chris Bilsland	173	173
Deputy Town Clerk	-	120	120
Director of Culture, Heritage & Libraries	-	104	100
Comptroller & City Solicitor	-	130	142
City Surveyor	-	138	138
Director of Markets & Consumer Protection	-	98	95
Director of Open Spaces	-	92	92

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

	<u>Land and Buildings</u>		<u>Plant</u>	<u>Assets</u>	
	<u>Investment</u>	<u>Freehold</u>	<u>and</u>	<u>Under</u>	
	<u>Properties</u>	<u>(a)</u>	<u>Machinery</u>	<u>Construction</u>	<u>Total</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Cost / Valuation (c)					
At 1 April 2012	903.3	102.4	16.7	12.5	1,034.9
Additions	6.8	1.7	0.7	11.5	20.7
Revaluations	56.7	-	-	-	56.7
Disposals (b)	(8.3)	0.0	-	-	(8.3)
Transfers	0.0	1.5	0.8	(2.3)	0.0
At 31 March 2013	<u>958.5</u>	<u>105.6</u>	<u>18.2</u>	<u>21.7</u>	<u>1,104.0</u>
Depreciation					
At 1 April 2012	-	(13.0)	(11.5)	-	(24.5)
Charge for the year	-	(3.5)	(1.3)	-	(4.8)
At 31 March 2013	<u>0.0</u>	<u>(16.5)</u>	<u>(12.8)</u>	<u>0.0</u>	<u>(29.3)</u>
Net book value					
At 31 March 2012	<u>903.3</u>	<u>89.4</u>	<u>5.2</u>	<u>12.5</u>	<u>1,010.4</u>
At 31 March 2013	<u>958.5</u>	<u>89.1</u>	<u>5.4</u>	<u>21.7</u>	<u>1,074.7</u>
Leased assets included above:					
Net book value					
At 31 March 2012	<u>1.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.0</u>
At 31 March 2013	<u>1.4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.4</u>

Direct Services

	<u>Land and Buildings</u>		Plant	Assets	
	Investment	Freehold	and	Under	Total
	Properties	(a)	Machinery	Construction	£m
	£m	£m	£m	£m	£m
Cost / Valuation (c)					
At 1 April 2012	903.3	97.8	16.0	9.9	1,027.0
Additions	6.8	1.2	0.7	11.3	20.0
Revaluations	56.7	-	-	-	56.7
Disposals (b)	(8.3)	-	-	-	(8.3)
Transfers	-	-	-	-	0.0
At 31 March 2013	<u>958.5</u>	<u>99.0</u>	<u>16.7</u>	<u>21.2</u>	<u>1,095.4</u>
Depreciation					
At 1 April 2012	-	(12.0)	(11.3)	-	(23.3)
Charge for the year	-	(3.4)	(1.2)	-	(4.6)
At 31 March 2013	<u>0.0</u>	<u>(15.4)</u>	<u>(12.5)</u>	<u>0.0</u>	<u>(27.9)</u>
Net book value					
At 31 March 2012	903.3	85.8	4.7	9.9	1,003.7
At 31 March 2013	<u>958.5</u>	<u>83.6</u>	<u>4.2</u>	<u>21.2</u>	<u>1,067.5</u>
Leased assets included above:					
Net book value					
At 31 March 2012	1.0	-	-	-	1.0
At 31 March 2013	<u>1.4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.4</u>

* Notes:

- 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.
- 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 £2.4m (2011/12: £1.8m). 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 March 2012 edition” issued by the Royal Institution of Chartered Surveyors. Valuations are also provided by three firms of chartered surveyors - Montagu Evans, Jones Lang Lasalle Ltd and BNP Paribas, external valuers with the externally valued properties representing some 48% of the Estates’ value as at 31 March 2013. As detailed in accounting policies note g, 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 2013 (2011/12: 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 following the implementation of UKGAAP for inclusion on the Consolidated Balance Sheet at a value of £182.2m (2011/12: £181.9m) as shown in the table below. The increase of £0.3m in 2012/13 relates to the purchase of further forest land thereby increasing accessible open space for the benefit of the public. Due to policy, budgetary and legal constraints there have been no significant acquisitions or disposals in the last five years.

	Consolidated		Direct Services	
	2013	2012	2013	2012
	£m	£m	£m	£m
Valuation				
At 1 April	181.9	181.8	181.8	181.8
Additions	0.3	0.1	-	-
Disposals	-	-	-	-
At 31 March	182.2	181.9	181.8	181.8
Comprising:				
Art and sculptures (notes a and b)	181.8	181.8	181.8	181.8
Forest land (note c)	0.4	0.1	-	-
	182.2	181.9	181.8	181.8

Notes:

- The art works are valued by the Curator at the Guildhall Art Gallery on a "rolling" basis using art market intelligence in relation to sales of similar works and indexation, insurance requirements and some individual valuations from independent experts;
- Sculptures were valued at replacement cost by independent experts Gurr Johns; and
- 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. Managed investments

Analysis of movement in managed investments:

	Consolidated		Direct Services	
	2013	2012	2013	2012
	£m	£m	£m	£m
Market value at 1 April	518.0	527.8	492.2	504.7
Additions to investments at costs	135.5	135.4	127.8	125.8
Disposals at market value	(121.8)	(144.0)	(115.7)	(136.3)
Net gain / (loss) on revaluation	55.5	(1.2)	52.0	(2.0)
Market value at 31 March	587.2	518.0	556.3	492.2
Cash held by the fund managers at 31 March	16.8	19.8	16.7	18.1
Total investments at 31 March	604.0	537.8	573.0	510.3

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

Long term	513.8	458.5	485.5	435.4
Short term	90.2	79.3	87.5	74.9
	604.0	537.8	573.0	510.3
Cost of investments at 31 March	526.6	504.4	498.4	478.7

10. Stocks of Finished Goods

A variety of purchased items are held in stock amounting to £0.4m (2011/12: £0.3m) to ensure responsive delivery of services, mainly relating to those provided at the City's open spaces, schools and ceremonial functions.

11. Debtors

	Consolidated		Direct Services	
	2013	2012	2013	2012
	£m	£m	£m	£m
Amounts falling due within one year:				
Prepayments and accrued income	12.3	17.0	12.3	17.0
Sundry debtors (note i)	17.8	10.0	17.7	10.1
Rental debtors	0.1	1.3	0.1	1.3
Accrued interest	1.7	2.7	1.7	2.7
	31.9	31.0	31.8	31.1
Amounts falling due after more than one year:				
Sundry debtors	0.6	-	0.6	-
	0.6	-	0.6	-
	32.5	31.0	32.4	31.1

- i) Sundry debtors as at 31st March 2013 included £5.8m (2011/12: nil) due from the Guildhall School Trust towards the construction costs of the School's new premises at Milton Court.

12. Creditors – amounts falling due within one year

	Consolidated		Direct Services	
	2013	2012	2013	2012
	£m	£m	£m	£m
Sundry creditors	35.2	33.6	29.8	28.4
Rental income received in advance	11.6	8.5	11.6	8.5
Other receipts received in advance	7.3	8.4	7.3	8.4
Her Majesty's Revenue and Customs - VAT	0.8	1.0	0.8	1.0
	54.9	51.5	49.5	46.3

13. Deferred income

Capital grants and contributions are treated as deferred income as explained in accounting policies note e). The total sum deferred amounts to £15.5m (2011/12: £9.2m), which largely relates to capital contributions towards education projects amounting to £14.4m (2011/12: £8.0m). Deferred income released to the Consolidated Income and Expenditure Account during the year amounted to £0.3m (2011/12: £0.2m).

14. Reserves

Consolidated	Balance at 1st April £m	Additions £m	Disposals £m	Depreci- ation £m	Net Unrealised Incoming Resources £m	Gains £m	Balance at 31st March £m
Operational Capital	107.1	13.9	-	(4.8)	9.1	-	116.2
Heritage Assets Reserve	181.9	0.3	-	-	0.3	-	182.2
Income Generating Fund							
- Investment Properties	9.8	6.8	-	-	6.8	-	16.6
- Managed Investments	425.1	121.6	(110.3)	-	11.3	-	436.4
- Revaluation Reserves:							
Investment Properties	893.5	-	(8.3)	-	(8.3)	56.7	941.9
Managed Investments	33.4	-	(11.5)	-	(11.5)	55.5	77.4
Income Generating Fund	1,361.8	128.4	(130.1)	0.0	(1.7)	112.2	1,472.3
Working Capital Fund	60.3	-	(3.1)	-	(3.1)	-	57.2
Total Capital and Reserves	1,711.1	142.6	(133.2)	(4.8)	4.6	112.2	1,827.9

Direct Services	Balance at 1st April £m	Additions £m	Disposals £m	Depreci- ation £m	Net Unrealised Incoming Resources £m	Gains £m	Balance at 31st March £m
Operational Capital	100.3	13.2	-	(4.5)	8.7	-	109.0
Heritage Assets Reserve	181.8	-	-	-	0.0	-	181.8
Income Generating Fund							
- Investment Properties	9.8	6.8	-	-	6.8	-	16.6
- Managed Investments	404.4	113.8	(106.8)	-	7.0	-	411.4
- Revaluation Reserves:							
Investment Properties	893.5	-	(8.3)	-	(8.3)	56.7	941.9
Managed Investments	31.6	-	(9.0)	-	(9.0)	52.0	74.6
Income Generating Fund	1,339.3	120.6	(124.1)	0.0	(3.5)	108.7	1,444.5
Working Capital Fund	61.6	-	(0.3)	-	(0.3)	-	61.3
Total Capital and Reserves	1,683.0	133.8	(124.4)	(4.5)	4.9	108.7	1,796.6

As at 31 March 2013 the consolidated capital and reserves include £1.7m (2011/12: £1.8m) for restricted funds and £27.9m (2011/12: £24.7m) for endowment funds. The restricted funds relate to future liabilities in relation to Billingsgate Market, sums donated to the schools for items such as scholarships, and for projects at open spaces. The most significant endowment fund is the Hampstead Heath Trust permanent endowment amounting to £26.8m at 31 March 2013 (2011/12: £23.4m) the purpose of which is to meet a proportion of the maintenance costs of the heath.

15. Reconciliation of operating (deficit) / surplus to operating cash flows

	2013 £m	2012 £m
Operating (deficit) / surplus	(4.8)	5.9
Add back depreciation	4.8	4.6
Less income on managed funds and interest received	(20.3)	(20.8)
VAT refund	5.4	-
Profit on sale of fixed assets	4.0	3.1
Funds from charity transfer	-	0.6
Increase in stocks	(0.1)	-
(Increase) / decrease in debtors	(1.5)	5.1
Increase in creditors	3.4	2.6
Increase in deferred income	6.3	4.7
Net cash (outflow) / inflow from operating activities	(2.8)	5.8

16. Returns on investments

	2013 £m	2012 £m
Investment income from managed funds	17.3	17.4
Interest received	3.0	3.4
Net cash inflow	20.3	20.8

17. Capital transactions and financial investments

	2013 £m	2012 £m
Purchase of tangible fixed assets	(21.0)	(21.9)
Acquisition of long term managed investments	(121.6)	(109.8)
Sale of tangible fixed assets	8.3	1.5
Disposal of long term investments	121.8	135.0
Net cash (outflow) / inflow	(12.5)	4.8

18. Management of liquid resources

	2013 £m	2012 £m
Internally managed cash		
- Money market funds	(3.0)	8.9
- Fixed Term Deposits	(10.9)	(25.5)
	(13.9)	(16.6)
Externally managed cash		
- Liquidity funds	0.3	(6.8)
- Current accounts	2.7	(2.8)
	3.0	(9.6)
Net cash outflow	(10.9)	(26.2)

19. Financial commitments

The following material (in excess of £3m) contractual capital commitments are as follows:

	Consolidated		Direct Services	
	2013	2012	2013	2012
	£m	£m	£m	£m
Contracted for but not provided for				
- finance leases entered into	-	-	-	-
- other	7.0	4.8	7.0	4.8
	7.0	4.8	7.0	4.8

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

20. 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 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.
- Sixteen Members are also members of the Irish Society which received a grant of £30,000 primarily relating to community projects.
- Two 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.
- 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.

During 2012/13 there were no significant transactions between City's Cash and the other main funds.

During 2011/12 the following transactions (rounded to the nearest thousand) were disclosed:

- A Chief Officer declared an interest in a not for profit organisation from whom the City received services costing £10,000.
- Grants totalling £1,502,000 were receivable from the Barbican Centre Trust in which one Member declared an interest.
- Four Members declared interests in not for profit organisations to whom the City made contributions. There were four organisations and the total payments were £447,000. These included the 'presentation' place at Christ's Hospital and the bursaries/match funding for King Edward's School Witley as indicated under the 2012/13 section above together with grants of £50,000 and £10,000 to St. Lawrence Jewry and Dr Johnson House Trust respectively.
- Income totalling £974,000 was receivable for the provision of services or premises to a not for profit organisation and to a private company. A different Member declared an interest in each organisation.
- 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 £64,071.
- 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 £15,194 was payable as at 31 March 2012.

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 2011/12 an investment property transaction during the year resulted in a receipt of £2.5m from the City Fund. This involved the restructuring of each fund's interests in the property to maximise value to the City of London as a whole. To ensure the integrity of each fund, this transaction was measured at fair value by the City Surveyor on the basis of external advice from a firm of chartered surveyors. There were no outstanding balances at the year end.

21. 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 Corporation is involved in discussions about fund-raising from large businesses for a major project. These discussions include arrangements for a potential underwriting by the City of the balance required to achieve a significant income target.

More detailed disclosures have not been included as they could prejudice seriously the City's position.

22. Restatement

The City's Cash Financial Statements for 2012/13 have been prepared for the first time on the basis of UKGAAP. The format and content vary significantly from the previous basis of preparation. In particular, the balance sheet now includes investment properties, operational assets and heritage assets.

The external auditor's opinion will now confirm that the statements give a 'true and fair view' of the state of City's Cash whereas the previous opinion was a somewhat limited confirmation that the statements have been properly prepared in accordance with the stated accounting policies.

Given the substantial nature of the changes and the fact that the 2012/13 financial statements are the first to show the complete financial picture for City's Cash, a detailed restatement note would not be meaningful to readers.