

TOWER GENERAL PARTNER LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2015



Company No. 03541867



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TOWER GENERAL PARTNER LIMITED

COMPANY INFORMATION

Directors	B Stiefel P Lewis
Secretary	E MacPherson
Company Number	03541867
Registered Office	York Gate 100 Marylebone Road London NW1 5DX
Auditors	RSM UK Audit LLP Statutory Auditor Chartered Accountants 25 Farringdon Street London EC4A 4AB

TOWER GENERAL PARTNER LIMITED

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TOWER GENERAL PARTNER LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report together with the audited financial statements for the year ended 31 December 2015

Principal Activities

The Company's principal activity is that of an investment company. The Company acts as general partner to the Tower Limited Partnership in which it holds a 0.054% interest and has control over the Partnership's day-to-day operations.

Directors

The directors who served during the year and subsequent to that date were

B Stiefel

P Lewis

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and accounting estimates that are reasonable and prudent,
- c prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TOWER GENERAL PARTNER LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

Statement as to Disclosure of Information to the Auditor

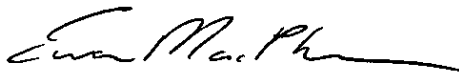
The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all steps that they ought to have taken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

Auditor

The auditor, RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), has indicated its willingness to continue in office.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

By order of the board



E MacPherson, Secretary

21 March 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TOWER GENERAL PARTNER LIMITED

We have audited the financial statements on pages 5 to 10. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective January 2015) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TOWER GENERAL PARTNER LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report

RSM UK Audit LLP

RICHARD COATES (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP (formerly BAKER TILLY UK AUDIT LLP), Statutory Auditor

Chartered Accountants

25 Farringdon Street

London

EC4A 4AB

21 March 2016

TOWER GENERAL PARTNER LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 £	2014 £
Income from fixed asset investments	2	208	204
Release of provision against listed investments	5	-	829
Profit on Ordinary Activities before Taxation		208	1,033
Taxation	4	-	-
Profit for the Year	8	208	1,033

All amounts relate to continuing activities

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**For the year ended 31 December 2015**

	Notes	2015 £	2014 £
Profit for the year		208	1,033
Unrealised surplus on revaluation of fixed asset investments	5	57	602
Total recognised gains and losses relating to the financial year		265	1,635

TOWER GENERAL PARTNER LIMITED

Company Number: 03541867

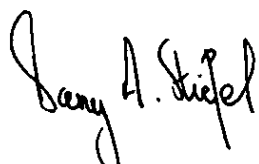
BALANCE SHEET

AS AT 31 DECEMBER 2015

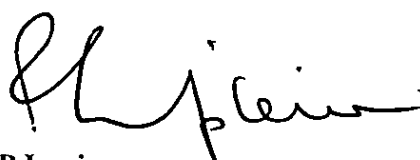
	Notes	2015 £	2014 £
FIXED ASSETS			
Investments	5	8,806	8,749
CURRENT ASSETS			
Debtors	6	101,064	100,856
NET CURRENT ASSETS		101,064	100,856
TOTAL ASSETS LESS CURRENT LIABILITIES		109,870	109,605
CAPITAL AND RESERVES			
Share capital	7	441	441
Profit and loss account	8	109,429	109,164
SHAREHOLDERS' FUNDS	9	109,870	109,605

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and the Financial Reporting Standard for Smaller Entities (effective January 2015)

Approved by the Board and authorised for issue on 21 March 2016



B Stiefel
Director



P Lewis
Director

TOWER GENERAL PARTNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention modified to include the revaluation of listed investments and in accordance with the Financial Reporting Standards for Smaller Entities (effective January 2015)

The Company has taken advantage of the exemptions in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that it is a small company

Income from Investments

Investment income comprises dividends declared during the accounting period and interest and distributions receivable on listed and unlisted investments

Investments

Unlisted investments are included at cost less provisions. Listed investments are included at market value at the balance sheet date. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities

Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts. Deferred tax is not provided on timing differences arising from the revaluation of tangible fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

2 Income from Fixed Asset Investments

Income from fixed asset investment comprises dividends from listed investments of £208 (2014 £204)

3 Administrative Expenses

None of the directors received any remuneration for their services as directors

The audit fees are borne by The Tower Limited Partnership. The audit fee attributable to Tower General Partner Limited is £2,100 (2014 £2,070)

4 Taxation

	2015 £	2014 £
Corporation tax on profits for the year	-	-

TOWER GENERAL PARTNER LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2015

5 Fixed Asset Investments

	Listed Investments (at valuation)	Other investments (at cost)	Investment in The Tower Limited Partnership (at cost)	Total
	£	£	£	£
At cost or valuation and net book value				
At 1 January 2015	8,282	26	441	8,749
Revaluation of listed investments	57	-	-	57
At 31 December 2015	8,339	26	441	8,806

Listed Investments

The market value of the investments which were listed on the London Stock Exchange at 31 December 2015 was £8,339 (2014 £8,282) The historical cost of these listed investments as at 31 December 2015 was £7,680 (2014 £7,680)

Other Investments

The company holds the following shares in its capacity as General Partner of The Tower Limited Partnership The Tower Limited Partnership holds the beneficial interest in these shares

Name of Company	Country of registration (or incorporation and operation)	Holding	Proportion of voting rights and shares held	Nature of business
Tower Management Services Limited	England & Wales	2 £1 ordinary shares	100%	Property management services
The Tower Nominees No 1 Limited	England & Wales	2 £1 ordinary shares	100%	Dormant
The Tower Nominees No 2 Limited	England & Wales	2 £1 ordinary shares	100%	Dormant
Tower Nominees No 1 Jersey Limited	Jersey	10 £1 ordinary shares	100%	Dormant
Tower Nominees No 2 Jersey Limited	Jersey	10 £1 ordinary shares	100%	Dormant

Investment in The Tower Limited Partnership

The company is the general partner of The Tower Limited Partnership, a qualifying limited partnership established under the Limited Partnership Act 1907, whose registered office is at York Gate, 100 Marylebone Road, London, NW1 5DX The company's capital contribution of £441 constitutes a 0.054% interest A copy of the financial statements for The Tower Limited Partnership will be appended to the company's financial statements filed with the Registrar of Companies

TOWER GENERAL PARTNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

6 Debtors

	2015 £	2014 £
Amounts due from The Tower Limited Partnership	101,064	100,856

7 Share Capital

	2015 £	2014 £
Allotted, Called Up and Fully Paid		
44,100 Ordinary shares of 1p each	441	441

8 Statement of Movements on Capital and Reserves

	Called up Share Capital £	Profit and Loss Account £	Total £
At 1 January 2015	441	109,164	109,605
Profit for the year	-	208	208
Unrealised surplus on revaluation of fixed asset investments	-	57	57
At 31 December 2015	441	109,429	109,870

9 Reconciliation of Equity Shareholders' Funds

	2015 £	2014 £
Total recognised gains and losses for the year	265	1,635
Opening shareholders' funds	109,605	107,970
Closing shareholders' funds	109,870	109,605

10 Contingent Liabilities

The company is party to a cross guarantee arrangement in connection with the secured borrowings of The Tower Limited Partnership which were £154.6m as at 31 December 2015 (2014 £139.9m). This guarantee is secured by a fixed and floating charge over the assets of the company.

11 Immediate and Ultimate Parent Undertaking

The immediate and ultimate parent undertaking and controlling party is K1 Corporation Limited, a company registered in Jersey.

TOWER GENERAL PARTNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

12 Related Party Transactions

The directors have taken advantage of the exemptions within FRS8 (Related Party Disclosures) from disclosing transactions with K1 Corporation and its wholly owned subsidiaries

THE TOWER LIMITED PARTNERSHIP

**ACCOUNTS FOR THE YEAR ENDED
31 DECEMBER 2015**

**THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No.....3541867.....**



COMPANIES HOUSE

THE TOWER LIMITED PARTNERSHIP

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THE TOWER LIMITED PARTNERSHIP

STRATEGIC REPORT

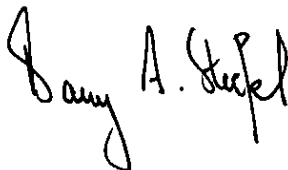
FOR THE YEAR ENDED 31 DECEMBER 2015

The General Partner is pleased to report an increased operating profit for the year and an increase in the net assets attributable to partners as at 31 December 2015. Further details are disclosed in the attached financial statements.

The General Partner considers that the key risks and uncertainties for the future relate to the London property market and other factors that impact the valuation of the investment property.

Signed on behalf of the General Partner

P Lewis
Director
Tower General Partner Limited



21 March 2016

THE TOWER LIMITED PARTNERSHIP

GENERAL PARTNER'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The General Partner presents its report together with the audited financial statements for the year ended 31 December 2015

Principal Activities

The Tower Limited Partnership was established and registered on 17 July 1998 as a limited partnership under the Limited Partnerships Act 1907. The principal activity of the Partnership is investment in Tower 42 and its attached estate.

Partners' Responsibilities Statement

The General Partner is responsible for preparing the Strategic Report, the General Partner's Report and the financial statements in accordance with applicable law and regulations.

The Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008 requires the General Partner to prepare financial statements for each financial year. Under that Law and in accordance with the Limited Partnership Agreement, the General Partner has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The General Partner must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period.

In preparing those financial statements, the General Partner is required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and accounting estimates that are reasonable and prudent,
- c prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the partnership's transactions and disclose with reasonable accuracy at any time the financial position of the partnership and enable it to ensure that the financial statements comply with the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to Disclosure of Information to the Auditor

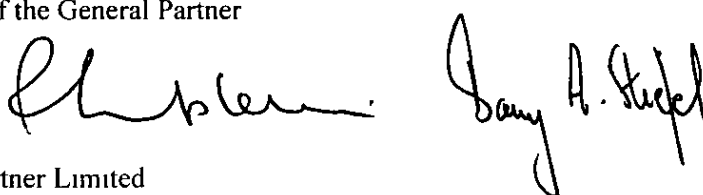
The General Partner has confirmed that, as far as it is aware, there is no relevant audit information of which the auditor is unaware. The General Partner has confirmed that it has taken all steps that it ought to have taken as a General Partner in order to make itself aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

The auditor, RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), has indicated its willingness to continue in office.

Signed on behalf of the General Partner

P Lewis
Director
Tower General Partner Limited



21 March 2016

INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF THE TOWER LIMITED PARTNERSHIP

FOR THE YEAR ENDED 31 DECEMBER 2015

We have audited the financial statements on pages 4 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the qualifying partnership's partners, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the qualifying partnership's partners those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited partnership and the qualifying partnership's partners, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of partners and auditor

As more fully explained in the Partners' Responsibilities Statement set out on page 2, the General Partner 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2015 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to qualifying partnerships requires us to report to you if, in our opinion

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

RSM UK Audit LLP

RICHARD COATES (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP (formerly BAKER TILLY UK AUDIT LLP), Statutory Auditor

Chartered Accountants

25 Farringdon Street

London

EC4A 4AB

21 March 2016

THE TOWER LIMITED PARTNERSHIP**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015 £'000	2014 £'000
Turnover	4	17,818	17,671
Property outgoings		(5,264)	(5,552)
Gross profit		<u>12,554</u>	<u>12,119</u>
Administrative expenses		(114)	(151)
Operating profit		<u>12,440</u>	<u>11,968</u>
Fair value gains on investment property	9	42,620	43,672
Dividend receivable	7	800	-
Interest receivable		2	3
Interest payable and similar charges	6	(13,149)	(13,839)
Profit and total comprehensive income for the year attributable to partners		<u>42,713</u>	<u>41,804</u>

All of the above results were derived from continuing operations

THE TOWER LIMITED PARTNERSHIP

PARTNERSHIP NUMBER: LP005833

STATEMENT OF FINANCIAL POSITION

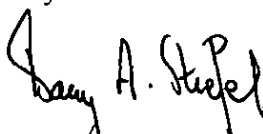
AS AT 31 DECEMBER 2015

	Notes	£'000	2015 £'000	£'000	2014 £'000
Fixed assets					
Investment properties	9		429,692		382,312
Current assets					
Debtors	10	6,010		4,667	
Cash at bank and in hand		12,565		5,824	
		18,575		10,491	
Creditors: amounts falling due within one year	11	(15,336)		(12,263)	
Net current assets / (liabilities)			3,239		(1,772)
Total assets less current liabilities			432,931		380,540
Creditors: amounts falling due after more than one year	12		(232,801)		(223,123)
Net assets attributable to partners			200,130		157,417
Partners' equity interests:					
Partners' capital contribution accounts			93		93
Partners' current accounts			4,027		3,934
Partners' advance accounts			42,575		42,575
Partners' premium accounts			18,232		18,232
Revaluation reserve account			135,203		92,583
Total partners' interests			200,130		157,417

The financial statements on pages 4 to 15 were approved by the General Partner and authorised for issue on 21 March 2016



P Lewis
Director
Tower General Partner Limited



B Stiefel
Director
Tower General Partner Limited

THE TOWER LIMITED PARTNERSHIP

RECONCILIATION OF PARTNERS' INTERESTS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Partners' Capital Contribution Accounts	Partners' Current Accounts	Partners' Advance Accounts	Partners' Premium Accounts	Revaluation Reserve Account	Total Partners' Interests
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2014	93	5,802	42,575	18,232	48,911	115,613
Total comprehensive income for the year	-	41,804	-	-	-	41,804
Transfer investment property fair value loss to revaluation reserve	-	(43,672)	-	-	43,672	-
At 31 December 2014	93	3,934	42,575	18,232	92,583	157,417
Total comprehensive income for the year	-	42,713	-	-	-	42,713
Transfer investment property fair value gain to revaluation reserve	-	(42,620)	-	-	42,620	-
At 31 December 2015	93	4,027	42,575	18,232	135,203	200,130
Allocation between partners						
Tower General Partner Limited	-	802	-	10	68	879
The Tower Unit Trust	93	3,225	42,575	18,222	135,135	199,251
At 31 December 2015	93	4,027	42,575	18,232	135,203	200,130

The categories of the partners' interests are defined within the Limited Partnership Agreement and are all only repayable out of capital proceeds that arise if the partnership sells or refinances its freehold investment property and the partnership is dissolved or may be distributable at the discretion of the directors of the General Partner. The allocations of partners' premium account and revaluation reserve account has been made based on the respective capital contributions accounts balance as at 31 December 2015. These accounts are not specifically attributable to any individual partner. The revaluation reserve comprises all unrealised revaluation surpluses on the freehold land and buildings since 20 May 2004, being the date of the amended Limited Partnership Agreement. All unrealised revaluation surpluses prior to this date of £33,722,625 were credited directly to the partners' current accounts in accordance with the previous Limited Partnership Agreement.

THE TOWER LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015	2014
		£'000	£'000
Operating activities			
Cash generated from operations	14	17,149	9,335
Interest received		2	3
Interest paid		(13,149)	(13,773)
Net cash from operating activities		<u>4,002</u>	<u>(4,435)</u>
Investing activities			
Investment properties additions		(4,760)	(597)
Net cash used in investing activities		<u>(4,760)</u>	<u>(597)</u>
Financing activities			
Proceeds from new borrowings		17,000	-
Repayments of bank borrowings		(2,863)	(2,087)
Proceeds from related party borrowings		9,140	5,773
Repayments of related party borrowings		(15,778)	-
Net cash from financing		<u>7,499</u>	<u>3,686</u>
Net increase/(decrease) in cash and cash equivalents		<u>6,741</u>	<u>(1,346)</u>
Cash and cash equivalents at beginning of year		5,824	7,170
Cash and cash equivalents at end of year		<u>12,565</u>	<u>5,824</u>

THE TOWER LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1 General Information

The Tower Limited Partnership was established and registered on 17 July 1998 as a limited partnership under the Limited Partnerships Act 1907. The General Partner is Tower General Partner Limited. The registered office of Tower General Partner Limited is York Gate, 100 Marylebone Road, London NW1 5DX. The principal activity of the Partnership is investment in Tower 42 and its attached estate.

2 Principal Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of The Partnerships (Accounts) Regulations 2008 and under the historical cost convention, modified to include investment properties at fair value.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

First time adoption of FRS 102

These financial statements are the Partnership's first financial statements prepared in accordance with FRS 102. The Partnership's financial statements for the year ended 31 December 2014 were prepared in accordance with previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently the directors of the General Partner have amended certain accounting policies to comply with FRS 102.

The directors have also taken advantage of the exemption from the requirements of FRS 102 permitted by FRS 102 Chapter 35 "Transition to this FRS" in relation to lease incentives as explained in the accounting policy for turnover set out below.

Comparative figures have been restated to reflect the adjustments made. Further details are disclosed in note 16.

Going Concern

The value of the Partnership's assets is substantially in excess of its liabilities. The directors of the General Partner consider that the Partnership with the continued support of K1 Corporation Limited and its subsidiaries should be able to pay its third party liabilities as they fall due for the foreseeable future and consequently have concluded that it is appropriate to adopt the going concern basis for the preparation of the financial statements.

THE TOWER LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

2 Principal Accounting Policies (continued)

Investment Properties

Investment properties are initially measured at cost and subsequently measured at fair value. Changes in fair value are recognised in profit or loss.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The directors of the general partner consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the profit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

Turnover

Turnover principally comprises rental income which is recognised on a straight-line basis over the term of the lease. Rent free periods or other incentives given are accounted for as a reduction to the rental income and recognised on a straight-line basis over the lease term.

The Partnership has elected to continue to recognise any residual cost associated with lease incentives on the same basis as that applied under previous UK GAAP, i.e. over the lease term or a shorter period ending on a date from which it is expected the prevailing market rental will be payable.

Taxation

The partnership does not constitute a separate taxable entity and as such there is no tax charge provided in these financial statements.

Finance Costs

The costs relating to the obtaining of loan finance are amortised to the profit and loss at a constant periodic rate. Loans are included in the statement of financial position at the amount received from the lender less the unamortised costs.

Financial instruments

Financial assets and financial liabilities are recognised when the Partnership becomes a party to the contractual provisions of the instrument, and are offset only when the Partnership currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Partnership has applied the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments. The partnership's financial assets are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method. The partnership's financial liabilities are initially measured at transaction price and are subsequently carried at amortised cost.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

3 Critical accounting estimates, assumptions and areas of judgement

The General Partner makes accounting estimates and applies judgement when preparing the financial statements. The significant estimates and assumptions are discussed below.

The General Partner deems the main accounting estimate and area of judgement to be in relation to the valuation of the investment property. This is based on the assumptions from the external valuation provided along with their knowledge of the property and market.

4 Turnover

The turnover was derived from the partnership's principal activity, which is property investment, which was carried out wholly in the UK.

	2015 £'000	2014 £'000
Rent receivable	16,748	16,941
Adjustment for operating lease incentives	1,070	730
	<u>17,818</u>	<u>17,671</u>

5 Auditor's remuneration and employee information

Auditor's remuneration payable to RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) for the year ended 31 December 2015 is £23,060 (2014 £22,220).

There were no employees of the partnership during the year (2014 None).

The directors of the General Partner are considered to be the key management personnel of the partnership.

None of the key management personnel nor the partners received any remuneration for management services provided to the partnership.

6 Interest payable and similar charges

	2015 £'000	2014 £'000
Bank loan interest	7,098	7,157
Fellow subsidiary undertaking loan interest	5,978	6,610
Finance arrangement fees	73	72
	<u>13,149</u>	<u>13,839</u>

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FOR THE YEAR ENDED 31 DECEMBER 2015

7 Dividend income

	2015 £'000	2014 £'000
Dividend income	800	-

During the year, a dividend of £800,000 (2014 £nil) was received from Tower Management Services Limited

8 Subsidiary Undertakings

The following shares are held in the name of Tower General Partner Limited in its capacity as General Partner of The Tower Limited Partnership. The Tower Limited Partnership holds the beneficial interest in these shares

Name of Company	Country of Registration / Incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Tower Management Services Limited	England & Wales	2 £1 ordinary shares	100%	Property management services
The Tower Nominees No 1 Limited	England & Wales	2 £1 ordinary shares	100%	Dormant
The Tower Nominees No 2 Limited	England & Wales	2 £1 ordinary shares	100%	Dormant
Tower Nominees No 1 Jersey Limited	Jersey	10 £1 ordinary shares	100%	Dormant
Tower Nominees No 2 Jersey Limited	Jersey	10 £1 ordinary shares	100%	Dormant

The only trading subsidiary is Tower Management Services Limited which made a profit of £74,542 during the year ended 31 December 2015 (2014 £57,700) and had capital and reserves of £163,200 at that date (2014 £888,658)

None of the other subsidiaries have traded since incorporation

The financial statements present information about the partnership as an individual undertaking and not about its group, as the partnership has taken advantage of the exemption provided by section 402 of the Companies Act 2006 not to prepare consolidated financial statements as the directors of the General Partner consider that all the partnership's subsidiaries may be excluded from consolidation as they are immaterial for purpose of giving a true and fair view

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FOR THE YEAR ENDED 31 DECEMBER 2015

9 Investment properties

	2015 £'000	2014 £'000
At fair value		
At 1 January 2015	382,312	338,043
Additions	4,760	597
Fair value gain	42,620	43,672
At 31 December 2015	<u>429,692</u>	<u>382,312</u>
The investment property is stated in the financial statements net of operating lease incentives as detailed below		
	2015 £'000	2014 £'000
Fair value – open market basis	433,750	385,000
Operating Lease incentives (see note 10)	(4,058)	(2,688)
Valuation net of operating lease incentives	<u>429,692</u>	<u>382,312</u>

The investment properties comprise freehold land and buildings and were valued on an open market basis by the General Partner as at 31 December 2015 using a third party valuation report as at 16 November 2015. The fair value as at 31 December 2014 was initially derived from the value attributed to the investment property when the partnership was acquired in March 2012. This has been revised within these financial statements (please see note 16 for further information).

The historical cost of the freehold land and buildings at 31 December 2015 was £260,765,642 (2014 £256,005,692).

10 Debtors

	2015 £'000	2014 £'000
Due within one year		
Amounts due from tenants	1,087	1,197
Other debtors	351	510
Amounts owed by group undertaking	314	-
Prepayments	200	272
Accrued income from operating lease incentives – (see note 9)	4,058	2,688
	<u>6,010</u>	<u>4,667</u>

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FOR THE YEAR ENDED 31 DECEMBER 2015

11 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Bank loan (secured)	1,927	2,195
Other taxation and social security	1,160	347
Other creditors - rent deposits held	3,514	2,436
Other creditors	1,142	419
Accruals	2,752	3,055
Deferred income - rents invoiced in advance	4,740	3,158
Amounts owed to group undertakings	101	653
	<u>15,336</u>	<u>12,263</u>

12 Creditors: amounts falling due after more than one year

	2015 £'000	2014 £'000
Bank loan (secured)	150,890	136,485
Deferred income	1,911	-
Loan from fellow subsidiary undertaking	80,000	86,638
	<u>232,801</u>	<u>223,123</u>

The term loan facility with Aviva Commercial Finance Limited terminates on 20 March 2032. The £145m facility is at a fixed rate of 5.1% per annum. Part of the loan (£80m) is interest only with the balance (£65m) being repayable in quarterly instalments. During the year the loan agreement was restated to include a £62m facility to fund the development of 15 Bishopsgate. The loan is drawn in instalments (in accordance with Schedule 10 of the Loan Agreement) with the first instalment of £17m being drawn on 21 December 2015. This tranche of the loan is interest only at a fixed rate of 5.81%.

The loan from fellow subsidiary undertaking terminates in March 2032 and is not repayable by instalments. This loan has a variable interest rate which was set at 8% to 12 May 2015 and then 6% for remainder of the year (2014: 8%). During the year, a further £9,140,000 was advanced under the loan facility (2014: £5,772,780). The total of £14,912,780 was then repaid on 21 December 2015.

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13 Financial instruments

The carrying amounts of the Partnership's financial instruments at 31 December were as follows

	2015 £'000	2014 £'000
Financial assets		
- Debtors (excluding prepayments and accrued income) and cash at bank stated at amortised cost	14,317	7,531
Financial liabilities		
- Creditors (excluding other tax and social security and deferred income) stated at amortised cost	240,326	231,881

14 Reconciliation of profit for the year to net cash generated from operations

	2015 £'000	2014 £'000
Profit for the year	42,713	41,804
Adjustments for		
- Fair value losses on investment properties	(42,620)	(43,672)
- Interest receivable	(2)	(3)
- Interest payable	13,149	13,839
- Dividend receivable	(800)	-
Movements in working capital		
- Increase in debtors	(1,343)	(356)
- Increase / (decrease) in creditors	6,052	(2,277)
Net cash generated from operations	17,149	9,335

15 Immediate and Ultimate Controlling Party

In the opinion of the General Partner, the immediate parent entity is the Tower Unit Trust and the ultimate parent company is K1 Corporation Limited, a company registered in Jersey

16 Transactions with Related Parties

The General Partner has taken advantage of the exemption available not to disclose transactions with wholly owned subsidiaries of K1 Corporation Limited

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

17 First time adoption of FRS 102

The effect of the transition to FRS 102 on profit or loss for the comparative period which was originally reported under previous UK GAAP is given below

	2014 £'000
Loss for the year as originally reported under previous UK GAAP	(1,868)
Original fair value loss on investment properties	(1,328)
Effect of prior year adjustment	45,000
Profit for the year reported under FRS 102	<u>41,804</u>

During the year ended 31 December 2014, fair value losses on investments of £1,327,759 were recognised in the Statement of Total Recognised Gains and Losses under previous UK GAAP. Under FRS 102, the fair value gains and losses are recognised in profit or loss.

Following a third party property valuation in the year, management have reviewed assumptions adopted in prior years to ascertain the market value at previous balance sheet dates and these have been revised to be consistent with those used for the third party valuation. This change improves the understandability of the financial statements to the year. This has resulted in additional fair value gains of £45,000,000 being recognised within the Statement of Comprehensive Income.

The impact of the change in property valuation assumptions has resulted in an increase in total partners' interests of £102,500,000 as at 31 December 2014 and £57,500,000 as at 1 January 2014 with a corresponding increase in the value of investment properties.

Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents, showing changes arising from operating activities, investing activities and financing activities. Under previous UK GAAP, the Cash Flow Statement presented changes in cash under the headings of operating activities, returns on investments and servicing of finance, capital expenditure and financing.