

Registered number 05622821

SPECTRUM ALPHA GENERAL PARTNER LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

TUESDAY



A2ZJNW21

A24

14/01/2014

#114

COMPANIES HOUSE

SPECTRUM ALPHA GENERAL PARTNER LIMITED

COMPANY INFORMATION

Directors	B Flood D Lockhart
Company secretary	JE Davies
Registered number	05622821
Registered office	The Edge Clowes Street Manchester M3 5NA
Independent auditors	Cooper Parry Group Limited Chartered Accountants & Statutory Auditor 14 Park Row Nottingham NG1 6GR

SPECTRUM ALPHA GENERAL PARTNER LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 9

SPECTRUM ALPHA GENERAL PARTNER LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

The directors present their report and the financial statements for the year ended 30 June 2013

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 of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- 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.

Principal activities

The company's principal activity is acting as general partner of a property investment partnership.

Directors

The directors who served during the year were

B Flood
D Lockhart

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that


- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

SPECTRUM ALPHA GENERAL PARTNER LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2013**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006

This report was approved by the board and signed on its behalf

A handwritten signature in black ink, appearing to read 'D Lockhart', written in a cursive style.

D Lockhart
Director

Date 18/12/2013

SPECTRUM ALPHA GENERAL PARTNER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPECTRUM ALPHA GENERAL PARTNER LIMITED

We have audited the financial statements of Spectrum Alpha General Partner Limited for the year ended 30 June 2013, set out on pages 5 to 9. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (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 Auditors' 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 auditors

As explained more fully in the Directors' responsibilities statement, 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 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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' 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 company's affairs as at 30 June 2013 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.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the going concern disclosures made in note 1 of the financial statements concerning the group and qualifying company's ability to continue as a going concern. The company acts as general partner to Spectrum Alpha Property Partners Limited Partnership ("the LP"). The company's future income streams and its ability to recover amounts due from the LP and its subsidiary undertakings ("the group") is considered to be dependent on the ability of the LP to continue in operational existence. The group incurred losses of £507,000 during the year ended 30 June 2013 and, at that date, the group's net liabilities amounted to £47,101,000. Bank borrowings totalling £75,118,000 are due for repayment during 2014. The group is in the process of renegotiating its banking facilities to ensure that sufficient facilities remain in place for the future. Whilst the group expects to be able to agree revised loan facilities on acceptable terms to enable it to continue to meet its obligations, there is no guarantee that this will happen.

SPECTRUM ALPHA GENERAL PARTNER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPECTRUM ALPHA GENERAL PARTNER LIMITED

These conditions, further explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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.

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 in preparing the Directors' report.

Cooper Parry Group Limited

Martin Firbank (Senior statutory auditor)

for and on behalf of
Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

Nottingham
Date

20 December 2013

SPECTRUM ALPHA GENERAL PARTNER LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2013**

	Note	2013 £	2012 £
Turnover	1	<u>2,500</u>	<u>2,500</u>
Profit on ordinary activities before taxation	2	2,500	2,500
Tax on profit on ordinary activities	3	<u>(500)</u>	<u>(500)</u>
Profit for the financial year	8	<u><u>2,000</u></u>	<u><u>2,000</u></u>

The notes on pages 7 to 9 form part of these financial statements

SPECTRUM ALPHA GENERAL PARTNER LIMITED
REGISTERED NUMBER. 05622821

BALANCE SHEET
AS AT 30 JUNE 2013

	Note	£	2013 £	£	2012 £
Fixed assets					
Investments	4		50		50
Current assets					
Debtors	5	15,633		13,633	
Creditors , amounts falling due within one year	6	(500)		(500)	
Net current assets			15,133		13,133
Net assets			15,183		13,183
Capital and reserves					
Called up share capital	7		100		100
Profit and loss account	8		15,083		13,083
Shareholders' funds			15,183		13,183

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved and authorised for issue by the board and were signed on its behalf by



D Lockhart
Director

Date 18/12/2013

The notes on pages 7 to 9 form part of these financial statements

SPECTRUM ALPHA GENERAL PARTNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements represent the results of Spectrum Alpha General Partner Limited only as the net assets and results of Spectrum Alpha Property Partners Limited Partnership have been excluded from consolidation on the basis that severe long term restrictions are in place which hinder the exercise of the company's rights over the assets employed. However, in accordance with Companies Act 2006, the financial statements of Spectrum Alpha Property Partners Limited Partnership are appended to these financial statements

1.2 Going concern

The company acts as general partner to Spectrum Alpha Property Partners Limited Partnership ("the LP"). The company receives a fee for acting in this capacity, but has no interest in the profits or assets of the LP. However, the company's future income streams and its ability to recover the amounts due from the LP and its related entities (together, "the group" or "the Alpha Fund") is dependent on the ability of the LP to continue in operational existence.

The current economic environment is challenging, particularly in regard to the property sector, and the directors of the company consider that the future outlook presents significant challenges both in terms of availability of funding and volatility of property values.

Loan facilities, accounting for 95% of the total bank debt, are in breach of covenant and are due for repayment on 30 June 2014. The group is in the process of renegotiating its banking facilities to ensure that sufficient facilities remain in place for the future. The discussions are on-going and it is likely there will be revisions to the existing facilities.

The fund originally had an expected life to 30 June 2014. The General Partner is currently in the process of negotiating an extension to the life of the fund as part of the financing arrangements.

Whilst the directors acknowledge that these circumstances cast material uncertainty over the Alpha Fund's ability to remain as a going concern, they are confident that the Alpha Fund's negotiations with its lending banks and investors will lead to a successful outcome and that the company will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in the preparation of the financial statements.

1.3 Turnover

Turnover comprises revenue recognised by the company, exclusive of value added tax, in respect of fees receivable in the period in relation to acting as General Partner to the Spectrum Alpha Property Partners Limited Partnership.

1.4 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

2. Profit on ordinary activities before taxation

During the year, no director received any emoluments (2012 - £NIL).

Remuneration in respect of the company's auditor is settled by Spectrum Alpha Property Partners Limited Partnership, an LP in which the company has a participating interest.

SPECTRUM ALPHA GENERAL PARTNER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

3. Taxation

	2013	2012
	£	£
UK corporation tax charge on profit for the year	500	500
	<u>500</u>	<u>500</u>

4. Fixed asset investments

	Participating interest £
Cost	
At 1 July 2012 and 30 June 2013	50
Net book value	
At 30 June 2013	50
	<u>50</u>
At 30 June 2012	50
	<u>50</u>

The above investment relates to a participating interest in Spectrum Alpha Property Partners Limited Partnership

5. Debtors

	2013	2012
	£	£
Amounts owed by group undertakings	15,533	13,533
Called up share capital not paid	100	100
	<u>15,633</u>	<u>13,633</u>

**6. Creditors.
Amounts falling due within one year**

	2013	2012
	£	£
Corporation tax	500	500
	<u>500</u>	<u>500</u>

7. Share capital

	2013	2012
	£	£
Allotted, called up and partly paid		
100 Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

SPECTRUM ALPHA GENERAL PARTNER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8. Reserves

	Profit and loss account £
At 1 July 2012	13,083
Profit for the financial year	2,000
	<hr/>
At 30 June 2013	<u>15,083</u>

9 Related party transactions

The company had the following related party transactions with Spectrum Alpha Property Partners Limited Partnership, a limited partnership for which the company acts as general partner

	2013 £	2012 £
Fees received during the year	2,500	2,500
Amounts owed to the company at the year end	15,533	13,533
Tax paid by Spectrum Alpha Property Partners Limited Partnership on the company's behalf	<u>(500)</u>	<u>(519)</u>

10. Ultimate parent undertaking and controlling party

The company is a subsidiary undertaking of Spectrum Property Management Limited which is the ultimate parent undertaking

Registered number. LP011049

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No 05622821

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

LIMITED PARTNERSHIP INFORMATION

General Partner	Spectrum Alpha General Partner Limited
Limited Partners	The Spectrum Alpha Jersey Property Unit Trust Brendan Flood Spectrum Alpha Founder Partner LLP
Registered Number	LP011049
Registered Office	The Edge Clowes Street Manchester M3 5NA
Auditors	Cooper Parry Group Limited Chartered Accountants & Statutory Auditor 14 Park Row Nottingham NG1 6GR
Bankers	Royal Bank of Scotland plc Old Swan Liverpool Branch 509 Prescott Road Liverpool L13 3BZ Nationwide Kings Park Road Moulton Park Northampton NN3 6NW
Solicitor	Irwin Mitchell Bauhaus Rossetti Place 27 Quay Street Manchester M3 4AW
Operators to the Spectrum Alpha Fund	Ogier Corporate Administration Limited 41 Lothbury London EC2R 7HF

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

FINANCIAL STATEMENTS

CONTENTS

	Page
General Partner's report	1 - 3
Independent auditors' report	4 - 5
Consolidated profit and loss account	6
Consolidated statement of total recognised gains and losses	7
Consolidated balance sheet	8
Partnership balance sheet	9
Consolidated cash flow statement	10
Notes to the financial statements	11 - 22

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

GENERAL PARTNER'S REPORT FOR THE YEAR ENDED 30 JUNE 2013

The General Partner presents its report and the financial statements for the year ended 30 June 2013

Reporting framework

Although the entity is a limited partnership, its governing document, the partnership agreement, specifies that the accounts should be produced under United Kingdom Generally Accepted Accounting Practice and the Partnerships (Accounts) Regulations 2008, which stipulate that the accounts should be prepared in accordance with the Companies Act 2006 as if the partnership were a company formed and registered under the Act

Members' responsibilities statement

The members are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the members to prepare financial statements for each financial year. Under the law the members have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the partnership and the group at the end of the period and of the profit or loss for the group for the period then ended. In preparing those financial statements, the members are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent, and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the partnership and the group and enable it to ensure that the financial statements comply with the Companies Act 2006 as applied by the Partnerships (Accounts) Regulations 2008. The members are also responsible for safeguarding the assets of the partnership and for taking reasonable steps for the prevention and detection of fraud and other irregularities

Principal activities

The principal activity of the partnership is property investment

Business review

The loss for the year amounted to £507,000 (2012: £74,000)

The Spectrum Alpha Property Partners Limited Partnership ("the fund") was established in November 2005 and was expected to run to June 2014, however, the general partner is currently exploring options to extend the fund's life

During the year the partners instructed an independent professional valuation of the investment property portfolio, the results of which are shown on page 14 and 15

During the year, the group sold one of its investment properties which resulted in a profit on disposal of £237,000. The proceeds were used to repay one of the bank loans. Part of this debt was discounted, resulting in exceptional interest receivable and similar income of £1,513,000, which is presented net of exceptional loan break costs of £765,000

The group's interest in the units of The MA Street Unit Trust, a property investment trust incorporated in Jersey was also disposed of during the year, resulting in a loss on disposal of £1,049,000. The proceeds were used to repay part of the bank loans. The MA Street Unit Trust held one of the group's investment properties

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

GENERAL PARTNER'S REPORT FOR THE YEAR ENDED 30 JUNE 2013

The balance sheet, as shown on page 8, shows net liabilities of £47.1m (2012 £38.4m)

To date the fund has a portfolio of 18 properties (2012 20). The fund's asset advisors' strategy going forward is to continue to focus on the asset management initiatives and value enhancement opportunities with a view to recovering value across the portfolio.

The partners would like to take this opportunity to thank all interested parties in the fund for their support in the period under review and we look forward to facing the challenges that lie ahead.

Principal risks and uncertainties

The economic environment continued to be challenging during the period under review. Along with other asset classes, values in commercial property have not shown signs of recovery. There also continues to be a lack of liquidity in the market.

The main risks to the fund are as follows,

Movement in the values of its investment properties. The values of the properties are subject to a number of external factors, many of which are outside the partners' control. The partners monitor the market value of the properties by undertaking regular valuations.

Ensuring that sufficient liquidity is available to meet foreseeable needs. Short term flexibility is achieved through loans from the partners and the group manages its exposure to interest rate fluctuations on its bank borrowings by entering into fixed rate agreements where possible, and by the use of interest rate swap agreements.

The partners review and agree policies for managing each of the risks. These policies have remained unchanged from the previous year.

Members and members' interests

The General Partner during the year was

- Spectrum Alpha General Partner Limited

The Limited Partners during the year were

- The Spectrum Alpha Jersey Property Unit Trust
- Brendan Flood
- Spectrum Alpha Founder Partner LLP

Partners' drawings

The agreement dated 22 December 2005 and amended by a deed of amendment dated 7 October 2009 states that the purpose of the partnership is to carry out property investment.

During the year, Spectrum Alpha General Partner Limited acted as a general partner to the partnership. The general partner had no interest in the profits or assets of the partnership and instead took a fixed salary of £2,500 (2012 £2,500). Spectrum Alpha Founder Partner LLP ('the FPLLP'), Brendan Flood and The Spectrum Alpha Jersey Property Unit Trust are the limited partners, and had interests in the profits and assets of the partnership as follows:

- Partnership profits are allocated to the limited partners in proportion to their capital contribution ratios until the 'first return threshold' has been achieved, which is defined as a cumulative internal rate of return of 12% per annum.
- After the 'first return threshold' has been reached, the FPLLP is entitled to 62.5% of the partnership profits. The balance of partnership profits is payable to other limited partners in proportion to their capital contributions.

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

**GENERAL PARTNER'S REPORT
FOR THE YEAR ENDED 30 JUNE 2013**

Provision of information to auditors

In so far as the members are aware

- there is no relevant audit information of which the partnership's auditor is unaware, and
- each member has taken all steps that they ought to have taken, as a member, in order to be aware of any relevant audit information needed by the partnership's auditor in connection with preparing its report and to establish that the partnership's auditor is aware of that information



David Lockhart

For and on behalf of Spectrum Alpha Property Limited Partnership
Director of Spectrum Alpha General Partner Limited

Date **18/12/2013**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

We have audited the financial statements of Spectrum Alpha Property Partners Limited Partnership for the year ended 30 June 2013, set out on pages 6 to 22. 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).

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

Respective responsibilities of members and auditors

As explained more fully in the Members' Responsibilities Statement set out on page 1, the members 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group and qualifying partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the members, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the General Partner's 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 and qualifying partnership's affairs as at 30 June 2013 and of the group's results 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP**

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the going concern disclosures made in note 1 of the financial statements concerning the group and qualifying partnership's ability to continue as a going concern. The group incurred losses of £507,000 during the year ended 30 June 2013 and, at that date, the group's net liabilities amounted to £47,101,000. Bank borrowings totalling £75,118,000 are due for repayment during 2014. The group is in the process of renegotiating its banking facilities to ensure that sufficient facilities remain in place for the future. Whilst the group expects to be able to agree revised loan facilities on acceptable terms to enable it to continue to meet its obligations, there is no guarantee that this will happen.

These conditions, further explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the partnership's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the partnership was unable to continue as a going concern.

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 qualifying partnership's financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of members' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Cooper Parry Group Limited

Martin Firbank (Senior Statutory Auditor)
For and on behalf of **Cooper Parry Group Limited**
Chartered Accountants
Statutory Auditor

Nottingham

Date *20 December 2013*

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2013**

	Note	2013 £000	2012 £000
Turnover	1, 2		
Continuing operations		6,850	7,467
Discontinued operations		1,433	2,153
		<u>8,283</u>	<u>9,620</u>
Administrative expenses		<u>(1,228)</u>	<u>(1,497)</u>
Operating profit	3		
Continuing operations		5,844	6,269
Discontinued operations		1,211	1,854
		<u>7,055</u>	<u>8,123</u>
Share of operating profit/(loss) in joint venture		12	(251)
		<u>7,067</u>	<u>7,872</u>
Exceptional items	4		
Profit/(loss) on disposal of fixed assets		237	(279)
Loss on disposal of subsidiary		(1,049)	-
Provision against investment in joint venture		(132)	-
		<u>6,123</u>	<u>7,593</u>
Profit on ordinary activities before interest			
Interest payable and similar charges	5	(7,323)	(8,644)
Exceptional interest receivable and similar income	4	748	1,034
		<u>(452)</u>	<u>(17)</u>
Loss on ordinary activities before taxation			
Tax on loss on ordinary activities in corporate subsidiaries	6	(55)	(57)
		<u>(507)</u>	<u>(74)</u>
Loss for the financial year	15		

The notes on pages 11 to 22 form part of these financial statements

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2013**

	Note	2013 £000	2012 £000
Loss for the financial year		(507)	(74)
Unrealised loss on revaluation of investment properties	7	(8,187)	(3,849)
Total recognised gains and losses for the year		<u>(8,694)</u>	<u>(3,923)</u>

The notes on pages 11 to 22 form part of these financial statements

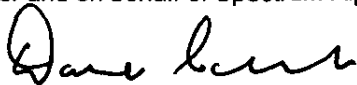
SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP
Registered Number: LP011049

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2013

	Note	2013 £000	2012 £000
Fixed assets			
Investment properties	7	74,045	113,202
Intangible assets	8	-	-
		<u>74,045</u>	<u>113,202</u>
Investment in joint ventures			
Share of gross assets	9	173	118
Share of gross liabilities	9	(41)	(118)
Provision against investment	9	(132)	-
		<u>-</u>	<u>-</u>
Current assets			
Debtors	10	903	1,936
Cash and bank		1,648	2,437
		<u>2,551</u>	<u>4,373</u>
Creditors: amounts falling due within one year	11	(91,731)	(22,394)
Net current liabilities		<u>(89,180)</u>	<u>(18,021)</u>
Total assets less current liabilities		<u>(15,135)</u>	<u>95,181</u>
Creditors amounts falling due after more than one year	12	(31,837)	(133,460)
Provision for liabilities	13	(129)	(128)
Net liabilities		<u>(47,101)</u>	<u>(38,407)</u>
Capital and reserves			
Partners' capital accounts	14	2	2
Revaluation reserve	15	(41,267)	(30,682)
Partners' other reserves	15	(5,836)	(7,727)
Total members' interests	16	<u>(47,101)</u>	<u>(38,407)</u>

These financial statements were approved and authorised for issue and are signed by

For and on behalf of Spectrum Alpha Property Partners Limited Partnership



David Lockhart
Director of Spectrum Alpha General Partner Limited

Date **18/12/13**

The notes on pages 11 to 22 form part of these financial statements

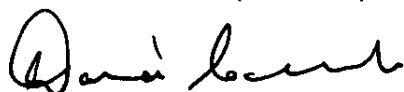
SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP
Registered Number LP011049

PARTNERSHIP BALANCE SHEET
AS AT 30 JUNE 2013

	Note	£000	2013 £000	£000	2012 £000
Fixed assets					
Investment properties	7		70,125		88,837
Investments	9		4,557		22,103
			<u>74,682</u>		<u>110,940</u>
Current assets					
Debtors	10	906		2,214	
Cash and bank		1,648		2,091	
		<u>2,554</u>		<u>4,305</u>	
Creditors: amounts falling due within one year	11	(92,175)		(22,122)	
Net current liabilities			<u>(89,261)</u>		<u>(17,817)</u>
Total assets less current liabilities			<u>(14,939)</u>		<u>93,123</u>
Creditors amounts falling due after more than one year	12		(31,837)		(133,460)
Net liabilities			<u>(46,776)</u>		<u>(40,337)</u>
Capital and reserves					
Partners' capital accounts	14		2		2
Revaluation reserve	15		(39,923)		(32,782)
Partners' other reserves	15		(6,855)		(7,557)
Total members' interests	16		<u>(46,776)</u>		<u>(40,337)</u>

These financial statements were approved and authorised for issue and are signed by

For and on behalf of Spectrum Alpha Property Partners Limited Partnership



David Lockhart
Director of Spectrum Alpha General Partner Limited

Date **18/12/2013**

The notes on pages 11 to 22 form part of these financial statements

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013**

	Note	£000	2013 £000	£000	2012 £000
Net cash inflow from operating activities	17				
Net cash flows from operating activities of continuing operations			5,220		18,739
Net cash flows from operating activities of discontinued operations			1,211		1,854
			<u>6,431</u>		<u>20,593</u>
Returns on investments and servicing of finance					
Interest paid		(6,480)		(7,368)	
Net cash outflow from returns on investments and servicing of finance			(6,480)		(7,368)
Tax paid			(69)		(48)
Capital expenditure and financial investment					
Proceeds from sale of investment properties	17	12,629		1,370	
Additions to investment properties		(144)		(394)	
Net increase in loans to joint ventures		(208)		(177)	
Net cash inflow from capital expenditure and financial investment			12,277		799
Acquisitions and disposals					
Net proceeds from sale of subsidiary undertaking	17	18,607		-	
Cash balances transferred during sale of subsidiary undertaking		(253)		-	
			<u>18,354</u>		<u>-</u>
Cash inflow before financing			30,513		13,976
Financing					
Loans received		4,147		381	
Repayment of bank loans		(35,449)		(14,578)	
Net cash outflow from financing			(31,302)		(14,197)
Decrease in cash in the year	18		<u>(789)</u>		<u>(221)</u>

The notes on pages 11 to 22 form part of these financial statements

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1 Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with applicable accounting standards

During the year the group disposed of two of its investment properties. The turnover and expenses relating to this activity have been presented within discontinued operations

1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the partnership and all subsidiary undertakings at 30 June 2013 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date at which they became subsidiaries and intra-group sales and profits are eliminated on consolidation. When the group disposes of a subsidiary, the gain or loss is calculated by comparing the carrying amount of the net assets of that subsidiary undertaking attributable to the group's interest before disposal together with any proceeds received. The results of the subsidiary entity are included within the consolidated results up to the point they have left the group.

The results of joint ventures are included on a gross equity basis from the date of acquisition, less provision for impairment.

1.3 Going concern

The current economic environment is challenging, particularly in regard to the property sector, and the partners of the LP consider that the future outlook presents significant challenges both in terms of availability of funding and volatility of property values.

Loan facilities, accounting for 95% of the total bank debt, are in breach of covenant and are due for repayment on 30 June 2014. The group is in the process of renegotiating its banking facilities to ensure that sufficient facilities remain in place for the future. The discussions are on-going and it is likely there will be revisions to the existing facilities.

The fund originally had an expected life to 30 June 2014. The General Partner is currently in the process of negotiating an extension to the life of the fund as part of the financing arrangements.

Whilst the partners acknowledge that these circumstances cast material uncertainty over the Alpha Fund's ability to remain as a going concern, they are confident that the Alpha Fund's negotiations with its lending banks and investors will lead to a successful outcome and that the partnership will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the partners continue to adopt the going concern basis in the preparation of the financial statements.

1.4 Turnover

Turnover comprises revenue recognised by the group in respect of rental income, service charges and other sundry income receivable from tenants of the group's investment properties in relation to the period, exclusive of value added tax.

The impact of lease incentives provided to tenants is treated as a reduction in turnover and amortised over the period to the first break clause on a straight line basis.

1.5 Investment properties

Investment properties are included on the balance sheet at their open market value in accordance with Statement of Standard Accounting Practice No 19 and are not depreciated. The treatment is contrary to the Companies Act 2006 which states that fixed assets should be depreciated but is, in the opinion of the partners, necessary in order to give a true and fair view of the financial position of the partnership.

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

1 Accounting policies (continued)

1.6 Intangible fixed assets – goodwill

Purchased goodwill arising on acquisitions is the difference between the fair value of the purchase consideration and the fair value of the group's share of the identifiable assets and liabilities of the acquired business at the date of acquisition. Purchased goodwill is capitalised and amortised over its estimated useful life. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently when necessary if circumstances indicate that its carrying value may not be recoverable.

1.7 Fixed asset investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.8 Leased assets

Operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

1.9 Current tax

The partnership is not subject to corporation tax since the partners are taxed individually. The partnership has a number of corporate subsidiaries which are consolidated into these financial statements, which are subject to corporation tax.

1.10 Deferred taxation

In respect of the partnership's corporate subsidiaries which are subject to corporation tax, deferred tax is recognised on all timing differences where the transaction or events that give the entity an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are not discounted.

2 Turnover

The turnover is attributable to the principal activity of the group, and arose entirely within the United Kingdom.

3 Operating profit

Operating profit is stated after charging

	2013 £000	2012 £000
Auditor's remuneration	31	30
Operating lease expense – other	139	139
	<hr/>	<hr/>

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

3 Operating profit (continued)

The directors of the general partner did not receive any remuneration for their services to the Limited Partnership during the year (2012 £Nil) There were no employees of the partnership during the year (2012 £Nil)

During the year the Limited Partnership paid fees of £55,175 (2012 £48,790) and disbursements of £11,842 (2012 £3,432) to Ogier Corporate Administration Limited as operators of the Spectrum Alpha Fund

4 Exceptional items

During the year, the group sold one of its investment properties which resulted in a profit on disposal of £237,000 The proceeds were used to repay one of the bank loans Part of this debt was discounted, resulting in exceptional interest receivable and similar income of £1,513,000, which is presented net of exceptional loan break costs of £765,000, resulting in net income of £748,000

The group's interest in the units of The MA Street Unit Trust, a property investment trust incorporated in Jersey was also disposed of during the year, resulting in a loss on disposal of £1,049,000 The proceeds were used to repay part of the bank loans

During the year, the group made provision of £132,000 against its investment in Barnsley Retail Partnership LLP, a joint venture of the group (see note 9)

Exceptional income in the year ended 30 June 2012 of £1,034,000 related to a discount received in respect of bank loans settled in the year

5 Interest payable and similar charges

	2013 £000	2013 £000	2012 £000	2012 £000
Group				
Bank loan interest	6,674		8,005	
Loan note interest	635		634	
	<u> </u>	7,309	<u> </u>	8,639
Joint ventures				
Other interest	14		5	
	<u> </u>	14	<u> </u>	5
		<u>7,323</u>		<u>8,644</u>

6 Tax on loss on ordinary activities in corporate subsidiaries

	2013 £000	2012 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on loss for the year	54	57
	<u> </u>	<u> </u>
Total current tax	54	57
	<u> </u>	<u> </u>
Deferred tax (see note 13)		
Origination and reversal of timing differences	1	-
	<u> </u>	<u> </u>
Tax on loss on ordinary activities in corporate subsidiaries	55	57
	<u> </u>	<u> </u>

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

6 Tax on loss on ordinary activities in corporate subsidiaries (continued)

Factors affecting the tax charge for the year

The tax assessed for the year is higher than (2012 higher than) that arrived at by applying the standard rate of corporation tax in the UK of 23% (2012 24%) The differences are explained below

	2013 £000	2012 £000
Loss on ordinary activities before taxation	<u>(452)</u>	<u>(17)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2012 24%)	(104)	(4)
Effect of:		
Profits in entities not subject to corporation tax	163	68
Capital allowances in excess of depreciation	(7)	(9)
Small companies relief	1	1
Changes to tax rates	2	1
Current tax charge for the year (see note above)	<u>55</u>	<u>57</u>

7 Tangible fixed assets

	Investment Properties £000
Group	
Valuation	
At 1 July 2012	113,202
Additions at cost	144
Disposals at valuation	(31,114)
Deficit on revaluation	<u>(8,187)</u>
At 30 June 2013	<u>74,045</u>
Partnership	
Valuation	
At 1 July 2012	88,837
Additions at cost	144
Disposals at valuation	(12,140)
Deficit on revaluation	<u>(6,716)</u>
At 30 June 2013	<u>70,125</u>

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

7 Tangible fixed assets (continued)

The valuation of the group's investment properties as at 30 June 2013, were based on independent professional valuations undertaken by Cushman & Wakefield LLP and Lambert Smith Hampton, Chartered Surveyors, on an open market value for existing use basis

	Investment Properties	
	Group	Partnership
	£000	£000
Comprising		
Cost	115,312	110,048
Annual revaluation surplus/(deficit)		
Accumulated revaluation deficit at 1 July 2012	(30,682)	(32,782)
2013 deficit	(8,187)	(6,716)
Reversed on disposal	(2,398)	(425)
At 30 June 2013	<u>74,045</u>	<u>70,125</u>

8 Intangible fixed assets

	Purchased
	Goodwill
	£000
Group	
Cost	
At 1 July 2012	915
Disposals	<u>(732)</u>
At 30 June 2013	<u>183</u>
Amortisation	
At 1 July 2012	915
Disposals	<u>(732)</u>
At 30 June 2013	<u>183</u>
Net book value	
At 1 July 2012	<u>-</u>
At 30 June 2013	<u>-</u>

All purchased goodwill disclosed above in relation to previous acquisitions was written off immediately following acquisition

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

9 Fixed asset investments

	Group Undertakings £000
Partnership	
Cost	
At 1 July 2012	23,021
Disposals	(17,488)
At 30 June 2013	<u>5,533</u>
Provisions	
At 1 July 2012	918
Impairment charge	875
Disposals	(817)
At 30 June 2013	<u>976</u>
Net book value	
At 1 July 2012	<u>22,103</u>
At 30 June 2013	<u>4,557</u>

At 30 June 2013 the partnership held an interest of more than 20% in the entities listed below

Group undertaking

	Place of Incorporation	Class held	Holding	Principal activity
Hawkbond Properties Limited	UK	Ordinary	100%	Property investment
Spectrum Alpha Nominees (No 5) Limited	UK	Ordinary	100%	Property investment
Spectrum Alpha Nominees (No 1) Limited	UK	Ordinary	100%	Dormant
Spectrum Alpha Nominees (No 2) Limited	UK	Ordinary	100%	Dormant
Spectrum Alpha Nominees (No 3) Limited	UK	Ordinary	100%	Dormant
Spectrum Alpha Nominees (No 4) Limited	UK	Ordinary	100%	Dormant
Spectrum Alpha Nominees (No 6) Limited	UK	Ordinary	100%	Dormant
Spectrum Alpha Nominees (No 7) Limited	UK	Ordinary	100%	Dormant
Spectrum Alpha Nominees (No 8) Limited	UK	Ordinary	100%	Dormant
Spectrum Alpha Nominees (No 9) Limited	UK	Ordinary	100%	Dormant
Spectrum Alpha Nominees (No 10) Limited	UK	Ordinary	100%	Dormant
Spectrum Alpha Nominees (No 11) Limited	UK	Ordinary	100%	Dormant
Spectrum Alpha Nominees (No 12) Limited	UK	Ordinary	100%	Dormant
Spectrum Alpha Nominees (No 13) Limited	UK	Ordinary	100%	Dormant
Spectrum Alpha Nominees (No 14) Limited	UK	Ordinary	100%	Dormant

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

9 Fixed asset investments (continued)

The partnership's 100% interest in the units of The MA Street Unit Trust, a property investment Trust incorporated in Jersey was disposed of on 26 April 2013

	2013 £000	2012 £000
Investment in joint venture		
Share of gross assets	173	118
Share of gross liabilities	(41)	(118)
Provision against investment	(132)	-
	<u>-</u>	<u>-</u>

The joint venture of the group is as follows

	Proportion of capital	Principal Activity
Barnsley Retail Partnership LLP	60%	Property Investment

The group has joint control of the entity

10 Debtors

	2013 £000	Group 2012 £000	2013 £000	Partnership 2012 £000
Due after one year				
Other debtors	-	451	-	-
Due within one year				
Trade debtors	294	631	294	528
Amounts owed by related undertakings	-	-	-	774
Prepayments and accrued income	68	279	68	81
Other debtors	541	575	544	831
	<u>903</u>	<u>1,936</u>	<u>906</u>	<u>2,214</u>

11 Creditors: amounts falling due within one year

	2013 £000	Group 2012 £000	2013 £000	Partnership 2012 £000
Bank loans (note 12)	75,558	9,501	75,558	9,501
Loan notes	3,720	-	3,720	-
Corporation tax	54	57	-	-
Trade creditors	245	70	245	65
Amounts owed to related undertakings	4,462	4,460	4,971	4,713
Social security and other taxes	462	428	450	348
Accruals and deferred income	7,207	7,873	7,208	7,490
Other creditors	23	5	23	5
	<u>91,731</u>	<u>22,394</u>	<u>92,175</u>	<u>22,122</u>

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

12 Creditors: amounts falling due after more than one year

	Group and Partnership	
	2013	2012
	£000	£000
Bank loans	3,514	101,808
Loan notes	-	3,329
Partner loans	28,323	28,323
	<hr/>	<hr/>
	31,837	133,460
	<hr/>	<hr/>

Bank loans are stated net of unamortised issue costs which are being released to the profit and loss account over the relevant loan term, in accordance with FRS 4

The Group has entered into loan facilities with a number of lending banks in order to invest in properties. All facilities are secured on the relevant investment properties and interest is payable at commercial rates, typically based on LIBOR plus margin

Included within Partners loans is mezzanine funding outstanding at 30 June 2013 of £20,198,000 (2012 £20,198,000) due to The Spectrum Alpha Jersey Property Unit Trust ("the JPUT"), the principal stakeholder in the partnership. No interest is payable on the outstanding mezzanine loan. The loan is secured over the group's investment properties and is due for repayment after settlement of the bank debt, and is therefore disclosed as repayable after one year

The partnership has issued loan notes amounting to £2,300,000 (2012 £2,300,000) to a number of investors in the JPUT. The loan notes are due for repayment on 30 June 2014 and interest is payable at 8% per annum. In addition, the loan notes carry a redemption premium such that the total return to the loan note holders (including a coupon interest rate) equates to 25% per annum. At 30 June 2013, the partnership has accrued a redemption premium of £1,420,250 (2012 £1,029,000) which has been rolled up into the carrying value of the loan notes

Bank and other loans are repayable as follows

	Group and Partnership	
	2013	2012
	£000	£000
Within one year		
Bank loans	75,558	9,501
Other loans	3,720	-
Between one and two years		
Bank loans	440	8,282
Loan notes	-	3,329
Partners loans	28,323	28,323
Between two and five years		
Bank loans	3,074	93,526
Loan notes	-	-
Partner loans	-	-
	<hr/>	<hr/>
	111,115	142,961
	<hr/>	<hr/>

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

13 Provisions for liabilities

	Deferred Taxation £000
Group	
At 1 July 2012	128
Charge for the year	1
At 30 June 2013	<u>129</u>

The above liability relates entirely to accelerated capital allowances

14 Partners' capital accounts

Group and Partnership	2013 £000	2012 £000
Limited partners	2	2
General partner	-	-
	<u>2</u>	<u>2</u>

15 Reserves

Group	Revaluation Reserve £000	Partners' other reserves £000
At 1 July 2012	(30,682)	(7,727)
Deficit on revaluation in year	(8,187)	-
Reserve transfer on disposal of assets	(2,398)	2,398
Loss for the financial year	-	(507)
At 30 June 2013	<u>(41,267)</u>	<u>(5,836)</u>
Partnership	Revaluation Reserve £000	Partners' other reserves £000
At 1 July 2012	(32,782)	(7,557)
Deficit on revaluation in year	(6,716)	-
Reserve transfer on disposal of assets	(425)	425
Profit for the financial year	-	277
At 30 June 2013	<u>(39,923)</u>	<u>(6,855)</u>

Profit attributable to the partnership

The partnership has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The partnership's profit for the year was £277,000 (2012 £30,000 loss)

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

16 Reconciliation of movement in total members' interests

Group	2013 £000	2012 £000
Loss for the financial year	(507)	(74)
Deficit on revaluation in year	(8,187)	(3,849)
Net movement in total members' interests	(8,694)	(3,923)
Opening members' interests	(38,407)	(34,484)
Closing members' interests	(47,101)	(38,407)
Partnership	2013 £000	2012 £000
(Profit)/loss for the financial year	277	(30)
Deficit on revaluation in year	(6,716)	(4,687)
Net movement in total members' interests	(6,439)	(4,717)
Opening members' interests	(40,337)	(35,620)
Closing members' interests	(46,766)	(40,337)

17 Analysis of cash flows for headings netted in cash flow statement

Reconciliation of operating profit to net cash flow from operating activities

	2013 £000	2012 £000
Operating profit	7,055	8,123
Decrease/(increase) in debtors	386	(32)
Decrease in creditors	(1,012)	(248)
Movement in related party balances	2	12,750
	<u>6,431</u>	<u>20,593</u>
Net cash inflow from continuing operating activities	5,220	18,739
Net cash inflow from discontinued operating activities	1,211	1,854
	<u>6,431</u>	<u>20,593</u>

The operating cash inflows from £12,629,000 and £18,354,000 included within capital expenditure and financial instruments, and acquisitions and disposals respectively relate to the disposal of one of the group's investment properties and its interest in The MA Street Unit Trust, as disclosed as exceptional items in note 4

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

18 Reconciliation of net cash flow to movement in net debt

	2013 £000	2012 £000
Decrease in cash in the year	(789)	(221)
Net cash outflow due to decrease in debt	31,302	14,197
	<hr/>	<hr/>
Movement in net debt arising from cash flows	30,513	13,976
Other non-cash changes (see note 19)	544	450
	<hr/>	<hr/>
Movement in net debt	31,057	14,426
Opening net debt	(140,524)	(154,950)
	<hr/>	<hr/>
Closing net debt	(109,467)	(140,524)

19 Analysis of net debt

	1 July 2012 £000	Cashflow £000	Non-cash Changes £000	30 June 2013 £000
Cash at bank in hand	2,437	(789)	-	1,648
	<hr/>	<hr/>	<hr/>	<hr/>
	2,437	(789)	-	1,648
Debt				
Debts due within one year	(9,501)	-	(69,777)	(79,278)
Debts falling due after more than one year	(105,137)	31,302	70,321	(3,514)
Partners loans falling due after more than one year	(28,323)	-	-	(28,323)
	<hr/>	<hr/>	<hr/>	<hr/>
	(140,524)	30,513	544	(109,467)
	<hr/>	<hr/>	<hr/>	<hr/>

The non-cash movements relate to the exceptional discount received on the repayment of a bank loan of £1,513,000, the release of deferred bank arrangement fees, rolled-up interest charges and the reclassification of the debt between being due in greater than one year and being due in less than one year are also included in non-cash movements

20 Operating lease commitments

	Land and buildings 2013 £000	2012 £000
Group and partnership		
Expiry date		
Within 1 year	-	-
Between 2 and 5 years	68	139
	<hr/>	<hr/>

SPECTRUM ALPHA PROPERTY PARTNERS LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

21 Related party transactions

Spectrum Property Management Limited ("SPM")

SPM is a 100% shareholder in Spectrum Alpha General Partner Limited, the general partner of the Spectrum Alpha Property Partners Limited Partnership ("the LP"). D Lockhart and OPP Macfarlane are directors and the controlling shareholders of SPM and are beneficiaries of the Modus Investors Syndicate Trust ("MIST"), a unit holder in The Spectrum Alpha Jersey Property Unit Trust ("the JPUT") which is the principal equity stakeholder in the LP.

During the year, SPM received fees of £251,458 (2012 £267,691) in its capacity as property asset manager to the LP.

In addition, the LP has an accrual for additional fees of £2,100,000 due to SPM in respect of past services to the LP. These fees have been discounted to £1,986,332 (2012 £1,878,817) which is the amount accrued in the financial statements. Payment of these fees is due after 30 June 2014, the initial expected date of the termination of the Alpha Fund.

The Spectrum Alpha Jersey Property Unit Trust ("JPUT")

The JPUT is the primary stakeholder in the LP, and at 30 June 2013 had contributed capital of £812 (2012 £812) and loans of £8,117,899 (2012 £8,117,899) to the LP.

Included within Partners loans is Mezzanine Funding outstanding at 30 June 2013 of £20,198,000 (2012 £20,198,000) due to the JPUT.

The following transactions have taken place with the JPUT:

- i The LP operates a loan account with the JPUT. The balance at 30 June 2013 was £20,198,000 owed to the JPUT (2012 due from the JPUT £4,446,253) and is disclosed within creditors (2012 creditors).
- ii The LP received management charges of £Nil (2012 £202,479) from the JPUT.

Spectrum Alpha Property Exempt Unit Trust ("PEUT")

The PEUT is the primary stakeholder in the JPUT which is the primary stakeholder in the LP. At 30 June 2013 it held loan notes of £733,125 (2012 £733,125) issued by the LP.

Interest of £124,631 (2012 £124,531) accrued to the PEUT in respect of the loan notes, with further interest £58,650 (2012 £58,650) paid during the year.

The total balance outstanding at 30 June 2013 amounted to £1,198,187 (2012 £1,073,556) and is included in Creditors amounts falling due within one year.

Spectrum Alpha General Partner Limited ("SAGP")

SAGP acts as general partner of the LP. During the year, the LP paid a salary of £2,500 (2012 £2,500) to SAGP in respect of its role as general partner and paid tax on its behalf of £500 (2012 £519). At 30 June 2013, the amounts owed to SAGP amounted to £15,583 (2012 £13,583) which is included within creditors.

Barnsley Retail Partnership LLP ("LLP")

SAGP is a designated member of the LLP. During the year the LP paid costs of £207,589 (2012 £176,566) on behalf of the LLP. Amounts totalling £389,561 (2012 £244,212) are included within other debtors at the year end, and provisions of £389,561 have been recognised against this balance.

Brendan Flood, a limited partner, has provided personal guarantees of £525,000 to one of the funders of the LP as security.

22 Controlling party

There is no ultimate controlling party.