

BADGER PROPERTY PARTNERS LLP
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2014

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BADGER PROPERTY PARTNERS LLP

ANNUAL REPORT

FOR THE YEAR ENDED 5 APRIL 2014

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BADGER PROPERTY PARTNERS LLP
MEMBERS AND PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 5 APRIL 2014

DESIGNATED MEMBERS

Mr. R.C. Desmond
LTS Partners Limited

REGISTERED NUMBER

OC 313362

AUDITORS

KPMG LLP
8 Salisbury Square
London
EC4Y 8BB

BANKERS

Bank of Scotland
PO Box 54873
London
SW1 5WX

Lloyds Bank Plc
9th Floor
Princess House
1 Suffolk Lane
London
EC4R 0AX

REGISTERED OFFICE

The Northern & Shell Building
Number 10 Lower Thames Street
London, EC3R 6EN

MEMBERS' REPORT

FOR THE YEAR ENDED 5 APRIL 2014

The members present their annual report and the audited financial statements for the year ended 5 April 2014.

PRINCIPAL ACTIVITIES

The principal activity of Badger Property Partners LLP is the business of acquiring freehold or leasehold interests in commercial property, the management and exploitation thereof and receiving rental income therefrom.

REVIEW OF THE YEAR AND FUTURE PROSPECTS

The profit and loss account is set out on page 6.

The members consider the results for the year to be satisfactory. In light of recent market conditions, the members sought professional advice on the valuation of the property and based on that advice are of the opinion that the open market value at the year end was £130,000,000 (2013: £121,250,000).

During the year, the LLP repaid its £109,555,098 (as at 5 April 2013) bank loan facility, refinancing the loan with a new bank loan and discounted security facilities totalling £99,500,000 (note 11).

The LLP continues to consider commercial property transactions with a view to increasing its portfolio.

RESULTS FOR THE YEAR

The profit for the year available for distribution to members was £10,249,605 (2013: £1,694,811).

DESIGNATED MEMBERS

The following were designated members during the year:

Mr. R.C. Desmond
LTS Partners Limited

POLICY WITH RESPECT TO MEMBERS' DRAWINGS AND REPAYMENT OF MEMBERS' CAPITAL

The members participate in the LLP's profit.

The members have subscribed to capital in set percentages per the partnership agreement. The members shall contribute any further capital which the designated members determine as being required for the purpose of the LLP based on the same percentages.

There is no opportunity for appreciation of capital subscribed. Members introduce their capital at 'par' and retiring members are repaid their capital at 'par'. An outgoing member will be paid the amount of any capital which they are entitled to be credited by the LLP to their capital account.

The profits of the LLP may be divided between the members in the set percentages per the partnership agreement as soon as the annual accounts for the relevant accounting year are approved by the members.

All payments are made subject to the cash requirements of the LLP and must be approved by the designated members.

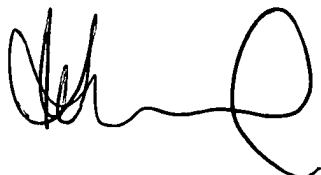
DISCLOSURE OF INFORMATION TO AUDITORS

The members as at the date of approval of this members' report confirm that, so far as they are each aware, there is no relevant audit information of which the LLP's auditors are unaware; and each member has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

AUDITOR

In accordance with Section 487 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditors of the LLP will be proposed by the designated members.

Approved by the members and signed on their behalf



Mr. R. C. Desmond
Designated Member

Date: 12 September 2014



LTS Partners Limited
Designated Member

Date: 12 September 2014

STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 5 APRIL 2014

The members are responsible for preparing the Members' Report and the partnership financial statements in accordance with applicable law and regulations.

The Partnerships (Accounts) Regulations 2008 require the members to prepare partnership financial statements for each financial year in accordance with Part 15 and Chapter 1 of Part 16 of the Companies Act 2006. Under that law the members have elected to prepare the partnership financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period. In preparing the partnership financial statements, the members are required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

BADGER PROPERTY PARTNERS LLP

FOR THE YEAR ENDED 5 APRIL 2014



8 Salisbury Square
London
EC4Y 8BB
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BADGER PROPERTY PARTNERS LLP

We have audited the financial statements of Badger Property Partnerships LLP for the year ended 5 April 2014 set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by regulation 4 of the Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the partnership'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 partnership and the partnership's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF MEMBERS AND AUDITOR

As explained more fully in the Members' Responsibilities Statement set out on page 4, 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

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 5 April 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK 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
- the 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.

Adrian Wilcox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

8 Salisbury Square
London
EC4Y 8BB

Date: 15 September 2014

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 5 APRIL 2014

	Notes	2014 £	2013 £
TURNOVER	2	7,590,810	8,259,321
Other operating expenses		<u>(545,263)</u>	<u>(90,610)</u>
OPERATING PROFIT	3	7,045,547	8,168,711
Release of loan	11	8,619,398	-
Interest payable and similar charges	6	<u>(5,415,340)</u>	<u>(6,473,900)</u>
PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES	12	10,249,605	1,694,811
Members' remuneration charged as an expense		<u>-</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS		<u>10,249,605</u>	<u>1,694,811</u>

A note on historical gains and losses has not been included as part of the financial statements as the results as disclosed in the profit and loss account, whilst prepared on a modified historical cost basis, do not differ from those that would be prepared on an unmodified and historical cost basis as the LLP's policy is not to depreciate investment properties.

The results for the current and preceding year arose from continuing operations.

The Notes on pages 10 to 13 form an integral part of these financial statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 5 APRIL 2014

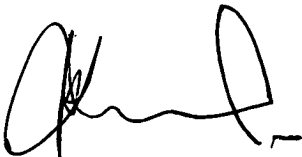
	2014 £	2013 £
Revaluation of investment property	<u>8,750,000</u>	<u>2,500,000</u>
NET INCOME RECOGNISED DIRECTLY IN EQUITY	8,750,000	2,500,000
Profit for the financial year	<u>10,249,605</u>	<u>1,694,811</u>
TOTAL RECOGNISED GAIN FOR THE YEAR ATTRIBUTABLE TO MEMBERS	<u>18,999,605</u>	<u>4,194,811</u>

The Notes on pages 10 to 13 form an integral part of these financial statements

BALANCE SHEET as at 5 April 2014

	Notes	2014 £	2013 £
FIXED ASSETS			
Tangible assets	7	130,000,000	121,250,000
CURRENT ASSETS			
Debtors	8	315,819	29,472
Cash at bank and in hand		<u>3,006,325</u>	<u>2,116,571</u>
		3,322,144	2,146,043
CREDITORS: amounts falling due within one year	9	<u>(1,864,706)</u>	<u>(112,730,265)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>1,457,438</u>	<u>(110,584,222)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		131,457,438	10,665,778
CREDITORS: amounts falling due after more than one year	10	<u>(101,792,055)</u>	-
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u>29,665,383</u>	<u>10,665,778</u>
REPRESENTED BY:			
LOANS AND OTHER DEBTS DUE TO MEMBERS			
Members' capital classified as a liability under FRS 25	12	150,000	150,000
EQUITY			
Members' other interests - other reserves classified as equity under FRS 25	12	<u>29,515,383</u>	<u>10,515,778</u>
		<u>29,665,383</u>	<u>10,665,778</u>
TOTAL MEMBERS' INTERESTS			
Loans and other debts due to members	12	150,000	150,000
Members' other interests	12	<u>29,515,383</u>	<u>10,515,778</u>
		<u>29,665,383</u>	<u>10,665,778</u>

The financial statements were approved by the members on **12** September 2014 and signed on their behalf by:



Mr. R.C. Desmond
Designated Member

The Notes on pages 10 to 13 form an integral part of these financial statements

CASH FLOW STATEMENT

FOR THE YEAR ENDED 5 APRIL 2014

	Notes	2014 £	2013 £
RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit		7,045,547	8,168,711
Decrease in creditors		<u>(301,875)</u>	<u>-</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES		<u>6,743,672</u>	<u>8,168,711</u>
CASH FLOW STATEMENT			
CASH FLOW FROM OPERATING ACTIVITIES		6,743,672	8,168,711
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	13	<u>(4,418,218)</u>	<u>(6,393,014)</u>
CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		2,325,454	1,775,697
FINANCING	14	<u>(1,435,700)</u>	<u>(1,758,001)</u>
INCREASE IN CASH IN THE YEAR		<u>889,754</u>	<u>17,696</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
INCREASE IN CASH IN THE YEAR	15	889,754	17,696
Change in net debt resulting from cash flows		<u>7,763,043</u>	<u>1,758,001</u>
MOVEMENT IN NET DEBT IN THE YEAR		<u>8,652,797</u>	<u>1,775,697</u>
NET DEBT AT THE START OF THE YEAR		<u>(107,438,527)</u>	<u>(109,214,224)</u>
NET DEBT AT THE END OF THE YEAR	15	<u>(98,785,730)</u>	<u>(107,438,527)</u>

The Notes on pages 10 to 13 form an integral part of these financial

BADGER PROPERTY PARTNERS LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2014

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards and the requirements of the Statement of Recommended Practice Accounting by Limited Liability Partnerships, except for the departure from the Companies Act described below. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Limited Liability Partnership's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of land and buildings.

The financial statements have been prepared on a going concern basis, notwithstanding net current assets/(liabilities) of £1,457,438 (2013: liabilities of £110,584,222) and net assets of £29,665,383 (2013: £10,665,778) at the year end, which the members believe to be appropriate for the following reasons. During the year, the LLP repaid its bank loan facility with a new bank loan and discounted security facilities (note 11). The members have prepared cash flow projections for the period to the end of the facility terms which indicate that the business is expected to be cash generative. On the basis of this cash flow, the members consider it will continue in operational existence by meeting its liabilities as they fall due. However, there is no certainty in relation to these matters. The financial statements do not include any adjustments that would result from the partnership not achieving its cash flow projections.

Tangible fixed assets and investment properties

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. In accordance with SSAP19, (i) investment properties are revalued annually by the members at open market value and the aggregate surplus or deficit is transferred to an investment revaluation reserve unless the deficit is expected to be permanent, in which case it is charged to the profit and loss account, (ii) an external professional valuation will be carried out at least every five years, (iii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run, (iv) the profit on disposal is based on book value.

The requirement of the Companies Act 2006 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The members consider that, as the property is not held for consumption but for investment, to depreciate it would not give a true and fair view and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Leases

Income in respect of assets held for use in operating leases is recognised over the period it relates to, based on the accruals principal.

Taxation

Taxation on all LLP profits is solely the personal liability of individual members. Consequently, neither taxation nor related deferred taxation arising in respect of the LLP are accounted for in these financial statements.

Classification of members' capital of the partnership

In line with FRS 25, the members capital of the partnership is treated as equity only to the extent that the partnership has an unconditional right to avoid repaying the capital. If the partnership is liable to repay the capital, it should be classified as debt.

Where the profit share of members is pre-determined, without the need for any further decision on the division of those profits, and not at the discretion of the partnership, the profit is classified as a liability of the partnership and shown as a charge to the profit and loss account under members' profit allocation. Where the profit share of members is not pre-determined, the profit is classified as equity and there is no charge to the profit and loss account.

Allocation of profits

The allocation of the profit to those who are members during the period occurs following the finalisation of the annual financial statements as per the LLP agreement. Unallocated profits are shown in 'members' other interests'.

Turnover

Turnover represents rental income receivable in respect of the LLP's property interests.

BADGER PROPERTY PARTNERS LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2014

2. TURNOVER

The LLP's turnover and profit arises solely from its commercial property interests.

There is no significant turnover and profit arising in geographical locations other than the United Kingdom.

3. NOTES TO THE PROFIT AND LOSS ACCOUNT

Operating profit is stated after charging/(crediting):

Auditor's remuneration - audit services
Operating income - rental income

2014 £	2013 £
6,901	6,765
<u>(7,590,810)</u>	<u>(8,259,321)</u>

4. MEMBERS' REMUNERATION

The average number of members of the Limited Liability Partnership for the financial year was 2 (2013: 2).

There was no remuneration or drawings allocated to the members during the year (2013: £nil).

5. STAFF NUMBERS AND COSTS

There were no employees during the current or preceding year.

6. INTEREST PAYABLE AND SIMILAR CHARGES

Bank loans
Discount unwind on discounted security (note 10)
Other financing costs

2014 £	2013 £
3,059,632	6,381,702
2,292,055	-
63,653	92,198
<u>5,415,340</u>	<u>6,473,900</u>

7. TANGIBLE ASSETS

Valuation:
At 6 April 2013
Revaluation

At 5 April 2014

Net book value:
At 5 April 2014

At 5 April 2013

Freehold land and buildings £
121,250,000
8,750,000
<u>130,000,000</u>
<u>130,000,000</u>
<u>121,250,000</u>

The property is being leased under an operating lease and the year end net book value is shown above. During the year, the LLP entered into a new lease with Express Newspapers. The lease is for a term of 20 years. On 27 September 2013 the investment property was revalued at £130,000,000 by CBRE Limited, chartered surveyors, on a market value basis and in accordance with the RICS Appraisal and Valuation Manual. In light of recent market conditions, the members sought professional advice on the valuation of the property and based on that advice are of the opinion that the open market value at the year end was £130,000,000 (2013: £121,250,000).

8. DEBTORS

Prepayments and accrued income

2014 £	2013 £
<u>315,819</u>	<u>29,472</u>

BADGER PROPERTY PARTNERS LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2014

9. CREDITORS: amounts falling due within one year

	2014 £	2013 £
Bank loan (note 11)	-	109,555,098
Accruals and deferred income	1,864,706	3,175,167
	<u>1,864,706</u>	<u>112,730,265</u>

10. CREDITORS: amounts falling due after more than one year

	2014 £	2013 £
Bank loan (note 11)	65,000,000	-
Discounted security	36,792,055	-
	<u>101,792,055</u>	<u>-</u>

The discounted security was issued during the year for £34,500,000, has a nominal value of £58,000,000 and is redeemable on 10 October 2018. The discounted security is secured against the investment property (note 7) and the assets of the LLP.

11. BANK LOAN OBLIGATION

	2014 £	2013 £
The LLP's bank loan obligations are due:		
Within 1 year	-	109,555,098
In more than 2 years but not more than 5 years	65,000,000	-
	<u>65,000,000</u>	<u>109,555,098</u>

The LLP previously held a loan facility with Bank of Scotland which totalled £119,000,000 and was repayable in quarterly instalments over 7 years with a final payment made at the end of the agreement. The loan carried interest at LIBOR plus a margin of 0.9125%. During the year, the LLP repaid its £109,555,098 (as at 5 April 2013) bank loan facility, refinancing with a new £65,000,000 term loan with Lloyds Bank Plc and a discounted security issued for £34,500,000 (note 10). £8,619,398 of the Bank of Scotland loan was released by the bank and the interest rate swap arrangements, in place as at 5 April 2013, were cancelled at no cost to the LLP.

The £65,000,000 term loan is interest only, repayable in full on 10 October 2018 and carries interest at LIBOR plus a margin of 2.5%. The discounted security has a nominal value of £58,000,000 and is redeemable on 10 October 2018. The term loan and discounted security are each secured against the investment property (note 7) and assets of the LLP. The LLP has not entered into any interest rate hedging arrangements in respect of current term loan but may choose to do so in the future. The LLP previously entered into interest rate swaps in respect of the repaid Bank of Scotland loan facility, to manage interest rate exposure, and any amounts payable or receivable in respect of the arrangements in place were recognised as an interest expense in the profit and loss account in the accounting period in which they arose. The interest rate swap facility had the effect of fixing the interest rate on the Bank of Scotland loans at 4.74% and 5.19% respectively, plus a margin of 0.9125%. The fair value of the derivative as at 5 April 2014 had a mark to market value of £nil liability (2013: £11,217,632 liability).

12. MEMBERS' OTHER INTERESTS

	Revaluation reserve £	Other reserves £	Total £	Loans and other debts due to members £	Total £
At 6 April 2013	2,239,497	8,276,281	10,515,778	150,000	10,665,778
Profit for the financial year available for discretionary division among members	-	10,249,605	10,249,605	-	10,249,605
	2,239,497	18,525,886	20,765,383	150,000	20,915,383
Surplus on revaluation of investment property	8,750,000	-	8,750,000	-	8,750,000
At 5 April 2014	<u>10,989,497</u>	<u>18,525,886</u>	<u>29,515,383</u>	<u>150,000</u>	<u>29,665,383</u>

The revaluation reserve is shown net of a distribution to members in the year ended 5 April 2007 of £14,250,000.

In the event of a winding-up the amounts included in 'Loans and other debts due to members' will rank equally with other unsecured creditors. No protection is afforded to creditors in the event of a winding-up.

BADGER PROPERTY PARTNERS LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2014

13. RETURNS ON INVESTMENT AND SERVICING OF FINANCE

	2014 £	2013 £
Interest paid	<u>4,418,218</u>	<u>6,393,014</u>

14. ANALYSIS OF CASH FLOWS

	2014 £	2013 £
Financing		
Repayment of long-term loan - due within one year	100,935,700	1,758,001
Issue of long-term loan - due after more than one year	(65,000,000)	-
Issue of discounted security - due after more than one year	<u>(34,500,000)</u>	<u>-</u>
	<u>1,435,700</u>	<u>1,758,001</u>

15. ANALYSIS OF NET DEBT

	At 6 April 2013 £	Cash flow £	Non cash flow £	At 5 April 2014 £
Cash at hand and in bank	2,116,571	889,754	-	3,006,325
Debt due within one year	(109,555,098)	100,935,700	8,619,398	-
Debt due after one year	<u>-</u>	<u>(99,500,000)</u>	<u>(2,292,055)</u>	<u>(101,792,055)</u>
Total	<u>(107,438,527)</u>	<u>2,325,454</u>	<u>6,327,343</u>	<u>(98,785,730)</u>

16. RELATED PARTY TRANSACTIONS

During the year, the LLP made a distribution to its members of £nil (2013: £nil).

The LLP leases the property to Express Newspapers, a company of which Mr. R.C. Desmond is also a director, for a rental of £6,879,520 per annum (2013: £8,180,930). No amounts remained outstanding at 5 April 2014 (2013: £nil).

During the year, the LLP issued a discounted security to SGH Collectives Fund PCC for an issue price of £34,500,000, with a nominal value of £58,000,000. The terms of the security are set out in note 11. The value of SGH Collectives Fund PCC is reflected in assets of The Northern & Shell Richard Desmond Funded Unapproved Retirement Benefit Scheme, of which Mr. R.C. Desmond is the beneficiary.

The designated members control the LLP.