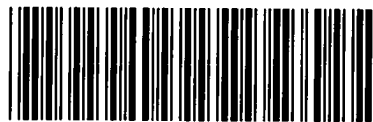


BADGER PROPERTY PARTNERS LLP
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2022

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BADGER PROPERTY PARTNERS LLP

ANNUAL REPORT

FOR THE YEAR ENDED 5 APRIL 2022

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BADGER PROPERTY PARTNERS LLP
DESIGNATED MEMBERS AND ADVISERS
FOR THE YEAR ENDED 5 APRIL 2022

DESIGNATED MEMBERS

Mr. R.C. Desmond
LTS Partners Limited

REGISTERED NUMBER

OC 313362

AUDITOR

KPMG LLP
15 Canada Square
London
United Kingdom
E14 5GL

BANKERS

Barclays Bank
27 Soho Square
London
United Kingdom
W1D 3QR

Deutsche Pfandbriefbank AG
London Branch
20 Fenchurch Street, 23rd Floor
London
United Kingdom
EC3M 3BY

REGISTERED OFFICE

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

MEMBERS' REPORT

FOR THE YEAR ENDED 5 APRIL 2022

The members present their annual report and the audited financial statements for the year ended 5 April 2022.

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 10.

The members consider the results for the year to be satisfactory. The members sought professional advice on the valuation of the property as at 5 April 2022 and based on that advice do not consider that a change to the carrying value of £142.3 million (2021: £142.3 million) is necessary.

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 £3.5 million (2021: £2.2 million). The LLP did not make a distribution to its members during the year or the prior year.

POLITICAL DONATIONS

The LLP made no political donations or incurred any political expenditure during the year (2021: £nil).

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.

GOING CONCERN

The members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

MEMBERS' REPORT

FOR THE YEAR ENDED 5 APRIL 2022

AUDITOR

KPMG LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint KPMG LLP as the auditor will be considered at the next members' meeting.

Approved by the members and signed on their behalf



Mr. R. C. Desmond
Designated Member

Date: 28 September 2022



LTS Partners Limited
Designated Member

Date: 28 September 2022

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

BADGER PROPERTY PARTNERS LLP

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

FOR THE YEAR ENDED 5 APRIL 2022

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 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 LLP and of its profit or loss for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.



15 Canada Square
London
E14 5GL
United Kingdom

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

Opinion

We have audited the financial statements of Badger Property Partners LLP ("the LLP") for the year ended 5 April 2022 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 5 April 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The members have prepared the financial statements on the going concern basis as they do not intend to liquidate the LLP or to cease its operations, and as they have concluded that the LLP's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the members' conclusions, we considered the inherent risks to the LLP's business model and analysed how those risks might affect the LLP's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the members' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the LLP's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the LLP will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

BADGER PROPERTY PARTNERS LLP

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the LLP's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Members meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that LLP management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as investment property valuation assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because internal performance indicators are not revenue-based which means that there is limited pressure on management from sources inside or outside the LLP to achieve certain revenue targets. Moreover, the revenue is derived from one contract with one counterparty and hence, there's little opportunity for fraudulent alterations.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The LLP is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the LLP is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

BADGER PROPERTY PARTNERS LLP

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The members are responsible for the other information, which comprises the members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required 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
- we have not received all the information and explanations we require for our audit; or
- the members were not entitled to prepare financial statements in accordance with the small limited liability partnerships' regime.

We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 5, the members are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditors-responsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

BADGER PROPERTY PARTNERS LLP

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Prince (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
United Kingdom
E14 5GL

Date: 28 September 2022

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME**FOR THE YEAR ENDED 5 APRIL 2022**

| | Notes | 2022 £000 | 2021 £000 |
|---|-------|----------------|----------------|
| TURNOVER | 2 | 8,126 | 8,037 |
| Other operating expenses | | <u>(208)</u> | <u>(132)</u> |
| OPERATING PROFIT | 3 | 7,918 | 7,905 |
| Interest receivable and similar income | 6 | 1,415 | - |
| Interest payable and similar expenses | 7 | <u>(5,827)</u> | <u>(5,743)</u> |
| PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES | 13 | 3,506 | 2,162 |
| Members' remuneration charged as an expense | | <u>-</u> | <u>-</u> |
| PROFIT FOR THE FINANCIAL YEAR AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS | | <u>3,506</u> | <u>2,162</u> |

There are no recognised gains and losses other than those stated above and therefore no separate statement of other comprehensive income has been presented.

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

The notes on pages 14 to 18 form an integral part of these financial statements.

BALANCE SHEET AS AT 5 April 2022

| | Notes | 2022 £000 | 2021 £000 |
|--|-------|------------------|------------------|
| FIXED ASSETS | | | |
| Investment property | 8 | 142,250 | 142,250 |
| CURRENT ASSETS | | | |
| Debtors | 9 | 1,073 | 911 |
| Cash at bank and in hand | | <u>7,990</u> | <u>6,050</u> |
| | | 9,063 | 6,961 |
| CREDITORS: amounts falling due within one year | 10 | <u>(6,034)</u> | <u>(6,938)</u> |
| NET CURRENT ASSETS | | <u>3,029</u> | <u>23</u> |
| TOTAL ASSETS LESS CURRENT ASSETS/(LIABILITIES) | | 145,279 | 142,273 |
| CREDITORS: amounts falling due after more than one year | 11 | <u>(104,093)</u> | <u>(104,593)</u> |
| NET ASSETS ATTRIBUTABLE TO MEMBERS | | <u>41,186</u> | <u>37,680</u> |
| REPRESENTED BY: | | | |
| LOANS AND OTHER DEBTS DUE TO MEMBERS | | | |
| Members' capital classified as a liability | 13 | 150 | 150 |
| MEMBERS' OTHER INTERESTS | | | |
| Other reserves | 13 | 41,036 | 37,530 |
| | | <u>41,186</u> | <u>37,680</u> |
| TOTAL MEMBERS' INTERESTS | | | |
| Loans and other debts due to members | 13 | 150 | 150 |
| Members' other interests | 13 | <u>41,036</u> | <u>37,530</u> |
| | | <u>41,186</u> | <u>37,680</u> |

The financial statements were approved by the members on 28 September 2022 and signed on their behalf by:



Mr. R.C. Desmond
Designated Member

The notes on pages 14 to 18 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 5 APRIL 2022

| | Members' other interests £000 |
|---|--|
| Balance at 6 April 2020 | 35,368 |
| Total comprehensive income for the year: | |
| Profit for the financial year available for discretionary division among members | 2,162 |
| | <hr/> |
| Total comprehensive income for the year | 2,162 |
| | <hr/> |
| Balance at 5 April 2021 | 37,530 |
| | <hr/> |
| | Members' other interests £000 |
| Balance at 6 April 2021 | 37,530 |
| Total comprehensive income for the year: | |
| Profit for the financial year available for discretionary division among members | 3,506 |
| | <hr/> |
| Total comprehensive income for the year | 3,506 |
| | <hr/> |
| Balance at 5 April 2022 | 41,036 |

The notes on pages 14 to 18 form an integral part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 5 APRIL 2022

| | 2022 £000 | 2021 £000 |
|--|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit for the financial year available for discretionary division among members | 3,506 | 2,162 |
| Adjustments for: | | |
| Interest receivable and similar income | (1,415) | - |
| Interest payable and similar charges | 5,827 | 5,743 |
| (Decrease)/increase in creditors | (11) | 46 |
| NET CASH FROM OPERATING ACTIVITIES | 7,907 | 7,951 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of bank loans | (4,000) | (4,000) |
| Interest received | 1 | - |
| Interest paid | (1,968) | (2,182) |
| NET CASH USED IN FINANCING ACTIVITIES | (5,967) | (6,182) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,940 | 1,769 |
| CASH AND CASH EQUIVALENTS AT 6 APRIL | 6,050 | 4,281 |
| CASH AND CASH EQUIVALENTS AT 5 APRIL | 7,990 | 6,050 |

The notes on pages 14 to 18 form an integral part of these financial statements.

BADGER PROPERTY PARTNERS LLP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 5 APRIL 2022

1. ACCOUNTING POLICIES

Company information

Badger Property Partners LLP is a limited liability partnership incorporated in England and Wales. The registered office is The Northern & Shell Building, Number 10 Lower Thames Street, London, United Kingdom, EC3R 6EN.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, including Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), Companies Act 2006 as applied by LLPs and the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, issued in January 2017. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for investment property and certain financial instruments as specified in the accounting policies below.

The financial statements are prepared in sterling, which is the functional currency of the LLP. Monetary amounts in these financial statements are rounded to the nearest £000 (unless stated otherwise).

The LLP had net current assets of £3.0 million (2021: £23,000) as at 5 April 2022, and the financial statements have been prepared on a going concern basis which the members believe to be appropriate for the following reasons.

The members have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that the business is expected to be cash generative. For the purposes of their assessment of the appropriateness of the preparation of the accounts on a going concern basis, the members have considered the principal areas of uncertainty within the forecasts and underlying assumptions, in particular those relating to market risks and working capital management. These forecasts indicate that the LLP will have sufficient funds to meet its liabilities for the period as they fall due.

The LLP has a bank loan and discounted security facilities (notes 10, 11 and 12). These facilities have typical covenant reporting measures that the LLP must adhere to being a loan to value and interest cover covenant. The members have taken professional advice on the valuation of the property as at 5 April 2022 and continue to assess the covenants and consider that there is significant headroom. Whilst there remains some short-term economic uncertainties, the members consider the prospect of a breach of its covenants to be extremely improbable. Despite the additional downside risks associated with the COVID-19 pandemic, the LLP also continues to maintain a strong covenant with its tenant, Northern & Shell Plc (note 14).

The LLP's bank loan and discounted security facilities are due for repayment when they mature on 11 December 2023 (notes 11 and 12). The LLP intends to enter into discussions with lenders in early 2023 to refinance its facilities and it is expected that both facilities will be refinanced by the repayment date of the existing facilities. The members consider this to be an appropriate timescale to formalise arrangements.

The members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Turnover

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

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred

BADGER PROPERTY PARTNERS LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2022

1. ACCOUNTING POLICIES (Continued)

beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

Investment properties

In accordance with FRS 102 S16, investment properties are initially recognised at its purchased price and any directly attributable expenditure. Investment property is subsequently measured at fair value at each reporting date with changes in fair value recognised in the profit and loss account.

Leases

Rental income is recognised on a straight-line basis over the shorter of the entire lease term or the period to the first break option. Where a lease incentive does not enhance the property, it is amortised on a straight line basis over the period from the date of the lease commencement to the earlier of the first break option, or the end of the lease term. On new leases with rent free periods, rental income is allocated evenly over the period from the date of lease commencement to the earlier of the first rent review and the lease end date.

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

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'.

BADGER PROPERTY PARTNERS LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2022

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

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Operating profit is stated after charging/(crediting): | | |
| Auditor's remuneration - audit services | <u>21</u> | <u>14</u> |

4. MEMBERS' REMUNERATION

The average number of members of the Limited Liability Partnership for the financial year was 2 (2021: 2).

There was no remuneration or drawings allocated to the members during the year (2021: £nil).

5. STAFF NUMBERS AND COSTS

There were no employees during the current or preceding year.

| | 2022 £000 | 2021 £000 |
|------------------------|--------------|--------------|
| Bank interest | 1 | - |
| Other financing income | <u>1,414</u> | <u>-</u> |
| | <u>1,415</u> | <u>-</u> |

Other financing income includes the movement in the fair value of the interest rate swap (notes 9, 10 and 12).

7. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Bank loans | 1,988 | 2,119 |
| Discount unwind on discounted security (note 11) | 3,500 | 3,500 |
| Other financing costs | <u>339</u> | <u>124</u> |
| | <u>5,827</u> | <u>5,743</u> |

BADGER PROPERTY PARTNERS LLP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 5 APRIL 2022

8. INVESTMENT PROPERTY

| | 2022 £000 | 2021 £000 |
|------------------------|----------------------|----------------------|
| Valuation: | | |
| At 6 April and 5 April | <u>142,250</u> | <u>142,250</u> |

The property is being leased under an operating lease and the year end net book value is shown above. The lease is to Northern & Shell Plc and for a term of 20 years ending on 9 October 2033 (note 14). On 26 July 2018, the investment property was valued at £142.3 million by CBRE Limited, chartered surveyors, on a market value basis and in accordance with the RICS Appraisal and Valuation Manual. The members sought professional advice on the valuation of the property as at 5 April 2022 and based on that advice do not consider that a change to the carrying value of £142.3 million (2021: £142.3 million) is necessary.

9. DEBTORS

| | 2022 £000 | 2021 £000 |
|--|----------------------|----------------------|
| Prepayments and accrued income | 572 | 911 |
| Fair value of interest rate swap (note 12) | <u>501</u> | <u>-</u> |
| | <u>1,073</u> | <u>911</u> |

Prepayments and accrued income include £232,000 (2021: £572,000) expected to be recoverable during the period in more than one year.

The fair value of interest rate swaps is based on mark to market calculations prepared by Deutsche Pfandbriefbank AG.

10. CREDITORS: amounts falling due within one year

| | 2022 £000 | 2021 £000 |
|--|----------------------|----------------------|
| Accruals and deferred income | 2,034 | 2,025 |
| Bank loan (note 12) | 4,000 | 4,000 |
| Fair value of interest rate swap (note 12) | <u>-</u> | <u>913</u> |
| | <u>6,034</u> | <u>6,938</u> |

The fair value of interest rate swaps is based on mark to market calculations prepared by Deutsche Pfandbriefbank AG.

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

| | 2022 £000 | 2021 £000 |
|---------------------|----------------------|----------------------|
| Bank loan (note 12) | 60,000 | 64,000 |
| Discounted security | <u>44,093</u> | <u>40,593</u> |
| | <u>104,093</u> | <u>104,593</u> |

In the year ended 5 April 2019, a discounted security was issued for £32.5 million, with a nominal value of £50.0 million and is redeemable on 11 December 2023. The discounted security is secured against the investment property (note 8) and the assets of the LLP.

BADGER PROPERTY PARTNERS LLP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 5 APRIL 2022

12. BANK LOAN OBLIGATION

| | 2022 £000 | 2021 £000 |
|--|----------------------|----------------------|
| The LLP's bank loan obligations are due: | | |
| Within one year (note 10) | 4,000 | 4,000 |
| Between two and five years (note 11) | 60,000 | 64,000 |
| | 64,000 | 68,000 |

The LLP has a £77.0 million bank loan facility with Deutsche Pfandbriefbank AG. The loan is repayable in quarterly instalments of £1.0 million each over 5 years with a final balancing payment due on 11 December 2023. The loan originally carried interest at 3-month LIBOR plus a margin of 2.25%. In February 2022, the facility transitioned from being a LIBOR referencing facility into a SONIA referencing facility, with interest charged at 3-month SONIA plus a margin of 2.37%.

Interest rate swaps are used to manage interest rate exposure. Any amounts payable or receivable in respect of the arrangements in place are recognised as finance income/expense in the profit and loss account in the accounting period in which they arise. The LLP has entered into an interest rate swap facility which has the affect of fixing the interest rate on 50% of the loan at 1.36%, plus a margin of 2.25%. In addition, the LLP also has a cap in place with a strike rate of 2.00% plus a margin of 2.25% on 30% of the loan. The fair value of the derivatives as at 5 April 2022 had a mark to market value of £501,000 – asset (note 9) (2021: £913,000 – liability) (note 10).

The loan is secured against the investment property (note 8) and assets of the LLP. During the year, the LLP repaid £4.0 million of its bank loan facility with Deutsche Pfandbriefbank AG.

13. MEMBERS' OTHER INTERESTS

| | Members' other interests £000 | Loans and other debts due to members £000 | Total members' interests £000 |
|--|--|--|--|
| At 6 April 2021 | 37,530 | 150 | 37,680 |
| Profit for the financial year available for discretionary division among members | 3,506 | - | 3,506 |
| At 5 April 2022 | 41,036 | 150 | 41,186 |

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.

14. RELATED PARTY TRANSACTIONS

The LLP leases the property to Northern & Shell Plc, a company of which Mr. R.C. Desmond is also a director, for a rental of £8.0 million per annum (2021: £8.0 million). No amounts remained outstanding at 5 April 2022 (2021: £nil).

In the year ended 5 April 2019, the LLP issued a discounted security to SGH Collectives Fund PCC for an issue price of £32.5 million, with a nominal value of £50.0 million. 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.