

REGISTERED NUMBER: OC351469 (England and Wales)

**REPORT OF THE MEMBERS AND
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
FOR
BROOKSHIRE CAPITAL LLP**



BROOKSHIRE CAPITAL LLP (REGISTERED NUMBER: OC351469)

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FOR THE YEAR ENDED 31 MARCH 2018**

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BROOKSHIRE CAPITAL LLP

**PARTNERSHIP INFORMATION
FOR THE YEAR ENDED 31 MARCH 2018**

DESIGNATED MEMBERS: A J F Wildman
N A Taylor

OTHER MEMBER: Caledonia Investments plc

REGISTERED OFFICE: Cayzer House
30 Buckingham Gate
London
SW1E 6NN

REGISTERED NUMBER: OC351469 (England and Wales)

AUDITOR: KPMG LLP
15 Canada Square
London E14 5GL

BANKERS: Santander UK plc
100 Ludgate Hill
London EC4M 7RE

Royal Bank of Scotland
London Corporate Service Centre
1/2 Devonshire Square
London EC2M 4XJ

BROOKSHIRE CAPITAL LLP (REGISTERED NUMBER: OC351469)

**REPORT OF THE MEMBERS
FOR THE YEAR ENDED 31 MARCH 2018**

The members present their report with the financial statements of the partnership for the year ended 31st March 2018.

PRINCIPAL ACTIVITY

The principal activity of the Limited Liability Partnership (LLP) in the period under review was that of investing in commercial property for capital appreciation and rental income.

The principal activity of Brookshire Trading Limited, the LLP's subsidiary, in the year under review was that of trading in commercial property. Property is bought and sold in the ordinary course of business. During the time that property is held for sale incidental rental income may be generated which is recognised as revenue. Operations within the group occur solely in the UK. There are no branches outside the UK.

MEMBERS' DRAWINGS, SUBSCRIPTION AND REPAYMENT OF CAPITAL

As described in the partnership agreement the designated members can draw £460,000 as the first claim on profit share in each accounting period. Caledonia Investments plc as the other member of the partnership can draw an agreed first claim of £25,000. Additional sums may be drawn from time to time as mutually agreed.

Cash of £2,500,000 was introduced into the partnership by the members to form the subscription capital.

The members ensure that sufficient cash reserves are available to fund the cash requirements of the business as well as the profit share drawdown for the subsequent year.

No qualifying indemnity provisions arise in the year (2017: none).

RESULTS FOR THE PERIOD AND ALLOCATION TO MEMBERS

The LLP profit for the year before member's remuneration was £5,360,897 (2017: £3,717,506).

The profit for the LLP and its group, before member's remuneration was £5,989,464 (2017: £4,005,294).

DESIGNATED MEMBERS

The designated members, as defined in the Limited Liability Partnership Act 2000, of the LLP during the period under review were:

A J F Wildman

N A Taylor

The other member was Caledonia Investments plc.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

So far as the members are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the LLP's auditor is unaware, and each member has taken all the steps that he ought to have taken as a member in order to make himself aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

AUDITOR

The auditor, KPMG LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 as applied to LLP's by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 relating to small LLPs and exemption under companies act 414A(2) and 414B and therefore has not prepared a strategic report.

ON BEHALF OF THE MEMBERS:

A J F Wildman
Designated member
Cayzer House
30 Buckingham Gate
London SW1E 6NN
17 August 2018



BROOKSHIRE CAPITAL LLP (REGISTERED NUMBER: OC351469)

**STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE MEMBERS' REPORT AND THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

The members are responsible for preparing the Members' Report and the group and LLP 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 group and LLP financial statements for each financial year. Under that law the members have elected to prepare both the group and LLP financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including IFRSs as adopted by the EU and applicable law.

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 group and the LLP and of the profit or loss of the group for that period. In preparing each of the group and LLP 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;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and 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 group or 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 the 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 group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROOKSHIRE CAPITAL LLP

Opinion

We have audited the group and LLP financial statements of Brookshire Capital LLP ("the LLP") for the year ended 31 March 2018 which comprise the consolidated and separate statements on comprehensive income, consolidated and separate statements of financial position, consolidated and separate statements of change in equity, consolidated and separate statements of cash flow, 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 group and of the LLP as at 31st March 2018 and of the profit of the group for the year then ended;
- The group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU;
- The LLP's individual financial statements have been properly prepared in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements 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 group 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

We are required to report to you if we have concluded that the use of going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects..

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 by the LLP, or returns adequate for our audit have not been received from branches not visited by us; or
- the LLP's individual 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.

We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 3, 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 the financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 group or the LLP or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities

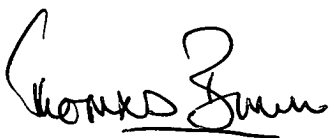
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditors' report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BROOKSHIRE CAPITAL LLP
(Continued)

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

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.



Thomas Brown (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Audit
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

17 August 2018

BROOKSHIRE CAPITAL LLP (REGISTERED NUMBER: OC351469)**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

		Group		LLP	
	Notes	2018 £	2017 £	2018 £	2017 £
CONTINUING OPERATIONS					
Revenue		3,211,442	10,486,775	1,439,813	1,537,685
Cost of sales		<u>(808,151)</u>	<u>(6,907,191)</u>	<u>(45,391)</u>	<u>(64,149)</u>
Gross Profit		2,403,291	3,579,584	1,394,422	1,473,536
Investment income	4	43	379	43	1,415,569
Gains and (losses) on investment property	5	4,393,633	1,658,329	4,393,633	1,658,329
Management charges receivable		-	-	338,000	294,000
Administrative expenses		(197,261)	(235,131)	(154,959)	(126,193)
Other expenses		(3,144)	(5,312)	(3,144)	(5,247)
Finance costs	6	(736,247)	(892,985)	(736,247)	(892,985)
Net gains and (losses) on derivatives	7	129,149	(99,503)	129,149	(99,503)
Profit before tax and members' profit share	8	5,989,464	4,005,294	5,360,897	3,717,506
Income tax	9	(118,027)	(340,569)	-	-
Profit for the financial year before members' profit share		5,871,437	3,664,725	5,360,897	3,717,506
Members' profit share charged as an expense		<u>(485,000)</u>	<u>(485,000)</u>	<u>(485,000)</u>	<u>(485,000)</u>
Profit for the financial year available for discretionary division among members		5,386,437	3,179,725	4,875,897	3,232,506
Other Comprehensive income		-	-	-	-
Result for the financial year and total comprehensive income available for division amongst members		<u>5,386,437</u>	<u>3,179,725</u>	<u>4,875,897</u>	<u>3,232,506</u>

There were no other recognised gains or losses in the year.

The notes from page 10 to 35 form part of these financial statements

BROOKSHIRE CAPITAL LLP (REGISTERED NUMBER: OC351469)**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

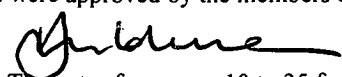
		Group		LLP	
	Notes	2018 £	2017 £	2018 £	2017 £
ASSETS					
Non-Current Assets, excluding members' interests					
Plant and equipment	10	3,092	1,981	3,092	1,981
Investment property	11	18,870,000	24,460,000	18,870,000	24,460,000
Investments	12	-	-	1	1
		18,873,092	24,461,981	18,873,093	24,461,982
Current Assets, excluding members' interests					
Inventories	13	2,987,193	3,740,652	-	-
Trade and other receivables	14	406,262	370,331	2,443,619	3,766,234
Other financial assets	15	49,706	-	49,706	-
Cash and cash equivalents	16	605,971	432,420	528,184	327,506
		4,049,132	4,543,403	3,021,509	4,093,740
TOTAL ASSETS		22,922,224	29,005,384	21,894,602	28,555,722
EQUITY REPRESENTED BY:					
Loans and other debts due to members within one year					
		28,980	28,980	28,980	28,980
Members' other interests					
Capital account		2,500,000	2,500,000	2,500,000	2,500,000
Amounts due to members		8,849,529	7,713,092	7,994,901	7,369,004
		11,378,509	10,242,072	10,523,881	9,897,984
LIABILITIES					
Non-current liabilities, excluding members' interests					
Borrowings	18	9,704,315	10,347,261	9,704,315	10,347,261
Deferred tax		-	1,400	-	-
		9,704,315	10,348,661	9,704,315	10,347,261
Current liabilities, excluding members' interests					
Trade and other payables	19	334,166	328,142	305,769	294,061
Borrowings	18	977,740	7,305,160	977,740	7,305,160
Other financial liabilities	20	153,784	349,748	153,784	349,748
Deferred revenue	21	254,282	393,065	229,113	361,508
Tax payable		119,428	38,536	-	-
		1,839,400	8,414,651	1,666,406	8,310,477
TOTAL LIABILITIES		11,543,715	18,763,312	11,370,721	18,657,738
TOTAL EQUITY AND LIABILITIES		22,922,224	29,005,384	21,894,602	28,555,722

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 as applied to LLP's by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 relating to small LLPs.

The financial statements were approved by the members on 17 August 2018 and were signed on its behalf by:

A J F Wildman

Designated member



The notes from page 10 to 35 form part of these financial statements

BROOKSHIRE CAPITAL LLP (REGISTERED NUMBER: OC351469)**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

Group	Notes	Members' capital £	Other reserves £	Total £	Loans and other debts due to members within One year £	Total equity £
Members' interests at 31 March 2016		2,500,000	4,533,942	7,033,942	28,350	7,062,292
Profit for the financial period available for division among members		-	3,664,725	3,664,725	-	3,664,725
Appropriation of profit: profit share agreement		-	(485,000)	(485,000)	-	(485,000)
Members' interests after profit for the year		<u>2,500,000</u>	<u>7,713,667</u>	<u>10,213,667</u>	<u>28,350</u>	<u>10,242,017</u>
Other movements		-	(575)	(575)	630	55
Balance at 31 March 2017		<u>2,500,000</u>	<u>7,713,092</u>	<u>10,213,092</u>	<u>28,980</u>	<u>10,242,072</u>
Profit for the financial period available for division among members	22	-	5,871,437	5,871,437	-	5,871,437
Appropriation of profit: profit share agreement		-	(485,000)	(485,000)	-	(485,000)
Discretionary profit distribution	22	-	(4,250,000)	(4,250,000)	-	(4,250,000)
Balance at 31 March 2018		<u>2,500,000</u>	<u>8,849,529</u>	<u>11,349,529</u>	<u>28,980</u>	<u>11,378,509</u>
LLP						
Members' interests at 31 March 2016		2,500,000	4,136,498	6,636,498	28,350	6,664,848
Profit for the financial period available for division among members		-	3,717,506	3,717,506	-	3,717,506
Appropriation of profit: profit share agreement		-	(485,000)	(485,000)	-	(485,000)
Members' interests after profit for the year		<u>2,500,000</u>	<u>7,369,004</u>	<u>9,869,004</u>	<u>28,350</u>	<u>9,897,354</u>
Other movements		-	-	-	630	630
Balance at 31 March 2017		<u>2,500,000</u>	<u>7,369,004</u>	<u>9,869,004</u>	<u>28,980</u>	<u>9,897,984</u>
Profit for the financial period available for division among members		-	5,360,897	5,360,897	-	5,360,897
Appropriation of profit: profit share agreement		-	(485,000)	(485,000)	-	(485,000)
Discretionary profit distribution		-	(4,250,000)	(4,250,000)	-	(4,250,000)
Balance at 31 March 2018		<u>2,500,000</u>	<u>7,994,901</u>	<u>10,494,901</u>	<u>28,980</u>	<u>10,523,881</u>

The notes from page 10 to 35 form part of these financial statements

BROOKSHIRE CAPITAL LLP (REGISTERED NUMBER: OC351469)**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

		Group		LLP	
	Notes	2018 £	2017 £	2018 £	2017 £
Cash flows from operating activities					
Cash generated from operations	17	2,716,403	9,732,079	2,743,530	8,595,795
Interest paid		(685,141)	(973,846)	(685,141)	(973,846)
Net cash inflow from operating activities		<u>2,031,262</u>	<u>8,758,233</u>	<u>2,058,389</u>	<u>7,621,949</u>
Cash flows from investing activities					
Distribution on subsidiary liquidation	43	-	-	43	1,415,424
Subsidiary disposal cost	-	(576)	-	-	-
Disposal of investment property	12,387,814	1,829,210	12,387,814	1,829,210	
Purchase of investment property	(2,404,182)	(8,530,881)	(2,404,182)	(8,530,881)	
Purchase of equipment	(2,312)	(1,815)	(2,312)	(1,815)	
Interest received	-	378	-	-	145
Net cash inflow/(outflow) from investing activities		<u>9,981,363</u>	<u>(6,703,684)</u>	<u>9,981,363</u>	<u>(5,287,917)</u>
Cash flows from financing activities					
Proceeds from borrowings	20,016,669	1,575,000	20,016,669	1,575,000	
Repayment of borrowings	(26,938,546)	(3,225,102)	(26,938,546)	(3,225,102)	
Payment of debt issue costs	(182,197)	(23,851)	(182,197)	(23,851)	
Appropriations of profit to partners	(4,735,000)	(484,370)	(4,735,000)	(484,370)	
Net (expense) from financing activities		<u>(11,839,074)</u>	<u>(2,158,323)</u>	<u>(11,839,074)</u>	<u>(2,158,323)</u>
Increase/(decrease) in cash and cash equivalents		173,551	(103,774)	200,678	175,709
Cash and cash equivalents at beginning of year		<u>432,420</u>	<u>536,194</u>	<u>327,506</u>	<u>151,797</u>
Cash and cash equivalents at end of year		<u>605,971</u>	<u>432,420</u>	<u>528,184</u>	<u>327,506</u>

The notes from page 10 to 35 form part of these financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. ACCOUNTING POLICIES

Brookshire Capital LLP is incorporated in the UK as a limited liability partnership under the Limited Liability Partnerships Act 2000.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the EU and therefore the financial statements comply with Article 4 of the EU IAS Regulations. IFRSs comprise accounting standards issued by the International Accounting Standards Board ('IASB') and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

Functional and presentational currency

The financial statements are presented in sterling.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the LLP and its subsidiaries made up to 31 March each year, which are shown in note 12, Investments. On acquisition, the identifiable assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group. All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Subsidiaries are those entities over which the LLP has the control, whereby it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the LLP and they are deconsolidated from the date that control ceases. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiaries is measured at fair value when control is lost.

Basis of measurement

The financial statements are prepared on the historical cost basis except for investment property and derivative financial instruments which have been measured at fair value.

Adopted IFRSs and IFRSs not yet applied

In the current year, the LLP has not adopted any new standards or interpretations.

At the date of authorisation of these financial statements, the following standards, which have not been applied in these financial statements, were in issue but not yet effective.

IFRS 9 'Financial Instruments'

IFRS 9 Financial instruments revises the approach to financial instruments framework replacing IAS39 Financial Instruments: Recognition and Measurement. The classification and measurement of the LLP's financial instruments are not anticipated to be impacted upon adoption of IFRS 9. The LLP will continue to apply fair value to investment assets as either the cash flows are not 'solely payments of principal and interest' or the business model is to manage them on a fair value basis. The new standard will be applied in the financial statements for the year ended 31 March 2019.

IFRS 15 'Contracts with Customers'

IFRS 15 Revenue from Contracts with Customers revises the approach to revenue recognition from contracts with customers and replaces IAS 11 Accounting for construction contracts. The LLP's income is received from financial instruments which are excluded from the scope of IFRS 15. The new standard will be applied in the financial statements for the year ended 31 March 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018**

IFRS 16 'Leases'

IFRS 16 Leases provides a new approach to lease accounting replacing IAS 17 Leases. The LLP is required to recognise lease contracts as a lessee on the balance sheet as a right of use asset with a corresponding lease liability with the exception of short-term or low value leases. The LLP has entered into a single short-term lease which will not be impacted upon adoption of IFRS 16. The new standard is not being early adopted and will be applied in the financial statements for the year ended 31 March 2020.

Going concern

The designated members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future, having sufficient ability to meet liabilities when they fall due. Accordingly they continue to adopt the going concern basis in preparing these financial statements. at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation. Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using a reducing balance method, on the following basis.

Fixtures and equipment	25% per annum
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Investment Property

The LLP holds property for the purposes of investment and this is disclosed as such on the balance sheet. Investment properties are properties which are held either to earn rental income or for capital appreciation or for both.

The investment property is initially measured at cost including related transaction costs. After initial recognition the investment property is carried at fair value through the Statement of Profit or Loss and Other Comprehensive Income. The category of fair value through the Statement of Profit or Loss and Other Comprehensive Income has two sub-categories – those that meet the definition as being held for trading and those that the LLP chooses to designate as fair value.

The judgements and estimates considered in determining the valuation are explained further in the critical accounting judgements and key sources of estimation uncertainty note.

Inventories

Property held for the purposes of trading is held separately in the LLP's subsidiary, Brookshire Trading Limited, and is classified as inventory on the balance sheet in accordance with IAS 2. Inventories are valued at the lower of cost and net realisable value. Cost is based on the latest cost principle and for each acquisition is inclusive of inventory purchase price, expenditure incurred in acquiring the inventory and bringing it to their current condition for sale. The net realisable value is taken to be the estimated selling price less estimated costs necessary to make the sale taking into the current market conditions.

Provisions are established to write down inventories where the estimated net sales proceeds less costs to complete exceed the current carrying value. Adjustments to the provisions will be required where selling prices or costs to complete change. Any unrealised losses resulting from impairments to inventories are reflected in the Statement of Profit or Loss and Other Comprehensive Income in the year in which they arise. Gains on reversals of impairments are recognised in the Statement of Profit or Loss and Other Comprehensive Income only to the extent they relate to previously recognised losses.

Receivables

Receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED 31 MARCH 2018**

Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Revenue

Revenue is recognised on an accruals basis when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the group. Revenue comprises rental income and other income from tenants of the investment properties, net of discounts, VAT and other sales-related taxes. Revenue of the group also includes the consideration received when selling trading property held by Brookshire Trading Limited. Turnover is attributable to one geographical market, the United Kingdom.

Expenses

All expenses are accounted for on an accruals basis.

Bank borrowings

Interest bearing loans are recorded at the fair value of proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Members' equity

Loans and other debts due to members

Loans and other debts due to members include profits which have been allocated to members and are capable of being withdrawn by such members, but remain unpaid at the year end.

Members' capital

Members' capital is classified as equity as members are only entitled to a repayment of capital in accordance with the Partnership agreement.

Other reserves

Other capital reserves include profits which have not yet been allocated to members and are not yet capable of being withdrawn by such members.

Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates may differ from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Investment property held at fair value within the LLP is professionally valued by external valuers. Valuations are affected by the occupational property market trading conditions, tenant covenants, and property specific factors. The members judge that the fair values ascribed to the investment property reflect these factors, as at the balance sheet date and into the future, given anticipated market conditions.

Property held for trading purposes within the LLP's subsidiary, Brookshire Trading Limited, is carried at the lower of cost or net realizable value. The selling price of a property is affected by such factors as the occupational property market trading conditions, tenant covenants if the property is not vacant, and property specific factors. To ensure the property is carried at the lower of cost or net realizable value, trading property is professionally valued by external valuers. The members judge that the carrying cost values ascribed to the trading property reflect these factors, as at the balance sheet date and into the future, given anticipated market conditions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED 31 MARCH 2018**

The evaluation of property and its classification as investment property, and accounted for in the LLP, or trading stock within Brookshire Trading Limited, is determined at the outset of potentially acquiring a property. Factors such as whether there is potential for adding value through asset management, or whether there is a commercial trading opportunity are judgements made by the members.

The covenant stipulations attached to the group's bank borrowings are met given positive cash flow generated from rentals and the valuations pertaining to the investment property held as security. To avoid noncompliance with the covenants, the LLP continually monitors its performance to ensure the criteria are met. The members anticipate that these criteria will continue to be met.

Financial guarantees and profit share contracts

Where the LLP enters into a profit share contract, the LLP treats such a contract as a contingent liability until such time as it becomes probable that a payment will be required under the guarantee.

2. EMPLOYEES

Group and LLP

There were no staff costs for the year ended 31 March 2018 (2017: nil).

3. OPERATING LEASES**Leases as lessor**

The LLP leases out commercial property under operating leases. The future minimum lease payments receivable under non-cancellable leases were as follows

	2018 £	2017 £
Less than one year	960,000	1,580,151
Between one and five years	3,019,459	5,820,101
Greater than five years	<u>5,715,808</u>	<u>9,550,797</u>
Total lease payments	<u>9,695,267</u>	<u>16,951,049</u>

Leases as lessee

At the balance sheet date, the partnership had outstanding commitments under non-cancellable leases, which fall due as follows:

	2018 £	2017 £
Less than one year	11,500	11,500
Between one and five years	-	-
Greater than five years	<u>-</u>	<u>-</u>
Total lease payments	<u>11,500</u>	<u>11,500</u>

4. INVESTMENT INCOME

Finance income:

	Group		LLP	
	2018 £	2017 £	2018 £	2017 £
Subsidiary dividend	43	-	43	1,415,424
Interest receivable	<u>-</u>	<u>379</u>	<u>-</u>	<u>145</u>
Interest receivable	<u>43</u>	<u>379</u>	<u>43</u>	<u>1,415,569</u>

BROOKSHIRE CAPITAL LLP (REGISTERED NUMBER: OC351469)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED 31 MARCH 2018****5. GAINS AND LOSSES ON INVESTMENT PROPERTY**

	Group		LLP	
	2018 £	2017 £	2018 £	2017 £
Gain arising on changes in fair value of investment property	2,875,818	1,408,612	2,875,818	1,408,612
Gain arising on investment property disposal	<u>1,517,815</u>	<u>249,717</u>	<u>1,517,815</u>	<u>249,717</u>
	<u>4,393,633</u>	<u>1,658,329</u>	<u>4,393,633</u>	<u>1,658,329</u>

6. FINANCE COSTS

	Group		LLP	
	2018 £	2017 £	2018 £	2017 £
Interest on bank loans (other than those from related parties)	325,854	314,376	325,854	314,309
Interest on loans from related parties	276,685	538,526	276,685	538,526
Other finance costs	<u>133,708</u>	<u>40,150</u>	<u>133,708</u>	<u>40,150</u>
	<u>736,247</u>	<u>892,985</u>	<u>736,247</u>	<u>892,985</u>

7. NET GAINS AND LOSSES ON DERIVATIVES

	Group		LLP	
	2018 £	2017 £	2018 £	2017 £
Gain arising on changes in fair value of interest rate swap derivatives	245,670	1,026	245,670	1,026
Interest expense on interest rate swap	<u>(116,521)</u>	<u>(100,529)</u>	<u>(116,521)</u>	<u>(100,529)</u>
	<u>129,149</u>	<u>(99,503)</u>	<u>129,149</u>	<u>(99,503)</u>

8. PROFIT BEFORE TAX

The profit before tax is stated after charging:

	Group		LLP	
	2018 £	2017 £	2018 £	2017 £
Auditor's remuneration	<u>15,153</u>	<u>16,080</u>	<u>8,083</u>	<u>8,040</u>

9. INCOME TAX

Group		LLP	
Analysis of tax expense		2018 £	2017 £
Current tax:			
Tax		119,427	38,537
Deferred tax current year		<u>(1,400)</u>	<u>(74)</u>
Total tax expense in Statement of Profit or Loss and Other Comprehensive Income		<u>118,027</u>	<u>38,463</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018**

9. INCOME TAX (continued)

Reconciliation of effective tax rate

	2018 £	2017 £
Group profit before tax excluding LLP	<u>628,567</u>	<u>192,681</u>
Tax using the UK corporation tax rate of 19% (2017: 20%)	119,427	38,537
Release of deferred tax balances	<u>(1,400)</u>	<u>(74)</u>
Total tax expense	<u>118,027</u>	<u>38,463</u>

Factors that may affect future current and total tax charges

There are no factors that will affect future tax charges. The standard rate of UK corporation tax at the balance sheet date was 19% (2017: 20%) but reductions in the UK corporation tax rate from 19% to 18% (effective from 1 April 2020) were substantively enacted on 18 October 2016. This will reduce the company's future tax charge accordingly.

The tax charge on profit for the year is the same as the standard rate of corporation tax in the UK of 19%.

LLP

Taxation of the LLP is upon individual members and not accounted for within the LLP.

10. PLANT AND EQUIPMENT

		Fixtures and equipment £
Cost or valuation		
Group and LLP	2018 £	2017 £
At 1st April 2017	3,777	3,909
Additions	2,312	1,815
Disposals	<u>(1,962)</u>	<u>(1,947)</u>
At 31 March 2018	<u>4,127</u>	<u>3,777</u>
Accumulated depreciation		
At 1st April 2017	1,796	2,432
Charge for the year	671	661
On disposals	<u>(1,432)</u>	<u>(1,297)</u>
At 31 March 2018	<u>1,035</u>	<u>1,796</u>
Carrying amount		
At 31 March 2018	<u>3,092</u>	<u>1,981</u>
At 31 March 2017	<u>1,981</u>	<u>1,477</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018**

11. INVESTMENT PROPERTY

(i) Carrying amount reconciliation

Group and LLP	2018 £	2017 £
Opening balance	24,460,000	16,100,000
Additions	2,404,182	8,530,881
Disposals	(10,975,000)	(1,579,493)
Fair value gain recognised in Statement of Profit or Loss and Other Comprehensive Income	2,980,818	1,408,612
	<u>18,870,000</u>	<u>24,460,000</u>

(ii) Operating lease arrangements

Refer to note 3 for details of operating leases related to investment properties.

(iii) Items of income and expense

As reported on the consolidated profit or loss and other comprehensive income statement, the revenue of the LLP of £1,439,813 (2017: £1,537,685) comprises rental income of £1,385,542 (2017: £1,467,984) and £54,571 (2017: £69,701) of other income.

Direct operating expenses, including repairs and maintenance arising from investment properties amounted £48,535 (2017: £69,396).

(iv) Restrictions and obligations

At 31 March 2018, there were no restrictions on the sale of investment property (2017: none). Remittance of income and proceeds of disposal is subject to a profit share agreement on the one investment property as noted in the contingency liability note 26. There are currently no obligations to construct or develop the existing investment properties.

(v) Fair value measurement

Fair value hierarchy

The fair values of the properties were determined by CBRE Limited, an accredited independent valuer with recognised and relevant professional qualifications and with recent experience in the location and category of the investment property being valued. For all investment properties, their current use equates to the highest and best use.

The designated partners review the valuations performed by the independent valuers and:

- Verify all major inputs to the independent valuers' report;
- Assess property valuations movements when compared to the prior period valuation report; and
- Hold discussions with the independent valuers.

The fair value measurement for all investment properties have been categorised as level 3 fair value based on the inputs to the valuation techniques used (as discussed below). A description of the level categories of the fair value measurement hierarchy is given in note 24, Financial Risk Management.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018**

11. INVESTMENT PROPERTY (continued)

Level 3 fair value

There have been no transfers to or from Level 3.

The following valuation technique was used in measuring the fair value of the Group's investment properties.

Valuation technique underlying management's estimation of fair value

The properties have been valued on the basis of "Fair Value" in accordance with the RICS Valuation – Professional Standards VPS4 (1.5) Fair Value and VPGA1 Valuations for inclusion in financial statements.

Investment method

Under the Investment Method, investment value is a product of rent and yield derived using comparison techniques. In undertaking the valuation of properties under this method, an assessment has been made on the basis of a collation and analysis of appropriate comparable investment, rental and sale transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions, capitalisation rates have then been applied to the properties, taking into account size, location, terms, covenant and other material factors.

Capitalisation rates: based on actual location, size and quality of the investment properties and taking into account market data at the valuation date.

Sensitivity analysis

The yields obtained on fair valuation are dependent on the criteria used in the investment method noted above. Assessments resulting in higher or lower yields will imply a correspondingly higher or lower fair valuation

12. INVESTMENTS

LLP	Shares in group undertakings
COST	£
At 1st April 2017	<u>1</u>
At 31st March 2018	<u>1</u>
NET BOOK VALUE	
At 31st March 2018	<u>1</u>
At 31st March 2017	<u>1</u>

The partnership's investments at the Consolidated Statement of Financial Position date in the share capital of companies include the following:

Brookshire Trading Limited, incorporated in England.

Nature of business: Trading in commercial property

Registered office: Cayzer House, 30 Buckingham Gate, London, SW1E 6NN

	% holding	2018 £	2017 £
Class of shares:			
Ordinary £ 1	100		
Aggregate capital and reserves		854,629	344,089
Profit for the year		<u>510,540</u>	<u>154,218</u>

BROOKSHIRE CAPITAL LLP (REGISTERED NUMBER: OC351469)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018****13. INVENTORIES**

	Group		LLP	
	2018 £	2017 £	2018 £	2017 £
Property at cost	<u>2,987,193</u>	<u>3,740,652</u>	<u>-</u>	<u>-</u>

14. TRADE AND OTHER RECEIVABLES

	Group		LLP	
	2018 £	2017 £	2018 £	2017 £
Current:				
Trade receivables	39,173	36,202	7,849	12,203
Amounts owed by group undertakings	-	-	2,069,305	3,423,797
Prepayments	8,766	92,694	8,142	88,799
Other	<u>358,323</u>	<u>241,435</u>	<u>358,323</u>	<u>241,435</u>
	<u>406,262</u>	<u>370,331</u>	<u>2,443,619</u>	<u>3,766,234</u>

Amounts owed by group undertakings comprises current accounts with the wholly owned subsidiary, Brookshire Trading Limited £2,069,305 (2017: £3,423,797).

15. OTHER FINANCIAL ASSETS

	Group		LLP	
	2018 £	2017 £	2018 £	2017 £
Derivatives designated and effective as hedging instruments carried at fair value				
Interest rate swaps	<u>49,706</u>	<u>-</u>	<u>49,706</u>	<u>-</u>

16. CASH AND CASH EQUIVALENTS

	Group		LLP	
	2018 £	2017 £	2018 £	2017 £
Bank accounts	<u>605,971</u>	<u>432,420</u>	<u>528,184</u>	<u>327,506</u>

BROOKSHIRE CAPITAL LLP (REGISTERED NUMBER: OC351469)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018****17. RECONCILIATION OF PROFIT BEFORE MEMBERS' PRIORIT PROFIT SHARE TO NET CASH GENERATED FROM OPERATING ACTIVITIES**

	Group		LLP	
	2018 £	2017 £	2018 £	2017 £
Profit before income tax	5,989,464	4,005,294	5,360,897	3,717,506
Adjustments for:				
Unrealised gain on changes in fair value of investment property	(2,875,818)	(1,408,612)	(2,875,818)	(1,408,612)
Realised gain on investment property disposal	(1,517,815)	(249,717)	(1,517,815)	(249,717)
Depreciation and loss on disposal of equipment	1,201	1,311	1,201	1,311
Amortisation of financial guarantee contracts	133,708	40,150	133,708	40,150
Losses on derivative contracts	(245,669)	(1,026)	(245,669)	(1,026)
Decrease in amounts due from subsidiary	-	-	1,354,492	6,843,370
Finance income	(43)	(378)	(43)	(1,415,569)
	<u>1,485,028</u>	<u>2,387,022</u>	<u>2,210,953</u>	<u>7,527,413</u>
Decrease in inventories	753,459	6,833,875	-	-
(Increase) in trade and other receivables	(35,931)	(32,601)	(31,877)	(69,845)
(Decrease)/increase in trade and other payables	<u>(132,759)</u>	<u>(67,494)</u>	<u>(120,687)</u>	<u>164,381</u>
Cash generated from operations	2,069,797	9,120,802	2,058,389	7,621,949
Interest paid	685,141	973,846	685,141	973,846
Income taxes paid	<u>(38,535)</u>	<u>(362,569)</u>	<u>-</u>	<u>-</u>
Cash generated by operating activities	<u><u>2,716,403</u></u>	<u><u>9,732,079</u></u>	<u><u>2,743,530</u></u>	<u><u>8,595,795</u></u>

18. BORROWINGS

	Group		LLP	
	2018 £	2017 £	2018 £	2017 £
Secured				
Bank loans (i)	10,032,055	10,727,421	10,032,055	10,727,421
Loans from related parties (ii)	<u>650,000</u>	<u>6,925,000</u>	<u>650,000</u>	<u>6,925,000</u>
	<u><u>10,682,055</u></u>	<u><u>17,652,421</u></u>	<u><u>10,682,055</u></u>	<u><u>17,652,421</u></u>
Current	977,740	7,305,160	977,740	7,305,160
Non-current	<u>9,704,315</u>	<u>10,347,261</u>	<u>9,704,315</u>	<u>10,347,261</u>
	<u><u>10,682,055</u></u>	<u><u>17,652,421</u></u>	<u><u>10,682,055</u></u>	<u><u>17,652,421</u></u>

BROOKSHIRE CAPITAL LLP (REGISTERED NUMBER: OC351469)**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018****18. BORROWINGS (continued)**

- (i) The loan was refinanced in June 2017 for a term of five years with quarterly repayment instalments commencing in July 2017. The effective interest rate on the bank loan is 2.3% plus LIBOR. The aggregate interest expense on all bank loans in the group for the year totalled £325,854 (2017: £314,309). The aggregate interest expense on all bank loans in the LLP for the year totalled £325,854 (2017: £314,309). The loans are secured by a charge over selected investment properties held by the LLP and trading stock within the LLP's subsidiary.
- (ii) A revolving credit facility is provided by a related party of the LLP. Interest of 8% is charged on the outstanding loan balance.

19. TRADE AND OTHER PAYABLES

	Group		LLP	
	2018	2017	2018	2017
	£	£	£	£
Current:				
Trade payables	3,257	1,985	3,257	1,985
Local taxation	114,823	182,998	96,425	158,205
Accruals	117,957	142,383	107,958	133,095
Other	98,129	776	98,129	776
	<u>334,166</u>	<u>328,142</u>	<u>305,769</u>	<u>294,061</u>

20. OTHER FINANCIAL LIABILITIES

	Group		LLP	
	2018	2017	2018	2017
	£	£	£	£
Derivatives that are designed and effective as hedging instruments carried at fair value				
Current:				
Interest rate swaps	<u>153,784</u>	<u>349,748</u>	<u>153,784</u>	<u>349,748</u>

21. DEFERRED REVENUE

	Group		LLP	
	2018	2017	2018	2017
	£	£	£	£
Arising on advance rental demands	254,282	393,065	229,113	361,508
	<u>254,282</u>	<u>393,065</u>	<u>229,113</u>	<u>361,508</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018

22. EQUITY, MEMBERS' CAPITAL AND OTHER INTERESTS

During the year, part of the investment portfolio was liquidated. This surplus was returned to the members as a profit distribution of £4,250,000.

The members' equity in the group and LLP is as follows:

	Members' capital	Other reserves	Loans and other debts due to members	Total equity
Group	£	£	£	£
Members' equity at 31.3.17	2,500,000	7,713,092	28,980	10,242,072
Profit for the financial period available for division among members	-	5,871,437	-	5,871,437
Members' equity after profit for the year	2,500,000	13,584,529	28,980	16,113,509
Members' remuneration charges as an expense	-	(485,000)	-	(485,000)
Profit distribution	-	(4,250,000)	-	(4,250,000)
Members' equity at 31.3.18	2,500,000	8,849,529	28,980	11,378,509
LLP	£	£	£	£
Members' equity at 31.3.17	2,500,000	7,369,004	28,980	9,897,984
Profit for the financial period available for division among members	-	5,360,897	-	5,360,897
Members' equity after profit for the year	2,500,000	12,729,901	28,980	15,258,881
Members' remuneration charges as an expense	-	(485,000)	-	(485,000)
Profit distribution	-	(4,250,000)	-	(4,250,000)
Members' equity at 31.3.18	2,500,000	7,994,901	28,980	10,523,881

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018

23. RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

The reconciliation of movements of liabilities to cash flows arising from financing activities were as follows:

Group and LLP	Liabilities	Equity			Total £
	Other loans and borrowings £	Member's capital £	Other reserves £	loans and other debts due to members £	
As at 31 March 2017	17,652,421	2,500,000	7,713,092	28,980	27,894,493
Changes from financing cash flows					
Proceeds from loans and borrowings	20,016,669	-	-	-	20,016,669
Repayment of borrowings	(26,938,546)	-	-	-	(26,938,546)
Transaction costs related to loans and borrowings	(182,197)	-	-	-	(182,197)
Member's remuneration paid	-	-	(485,000)	-	(485,000)
Profit distribution	-	-	(4,250,000)	-	(4,250,000)
Total changes from financing cash flows	(7,104,074)	-	(4,735,000)	-	(11,839,074)
Liability-related					
Capitalised borrowing costs	133,708	-	-	-	133,708
Interest expense	602,539	-	-	-	602,539
Interest paid	(602,539)	-	-	-	(602,539)
Total liability-related other changes	133,708	-	-	-	133,708
Total equity-related other changes	-	-	5,871,437	-	5,871,437
As at 31 March 2018	10,682,055	2,500,000	8,849,529	28,980	22,060,564

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018**

24. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

The group uses interest rate swaps to manage its exposure to interest rate movements on a proportion of its variable rate borrowings. The contracts entered into with Santander have a combined notional value of £8,730,000 as at 31 March 2018 (2017: £8,970,002) with a strike rate ranging from 1.77% to 2.125%. The notional value of the swap contracts increases to £9,515,625 from 1 April 2018 and the current swap contracts mature between March 2019 and March 2020.

A forward starting interest rate swap with a notional value of £8,423,837, with a strike rate of 1.13%, to cover the period March 2020 to June 2022 has been entered into.

The fair values of the group's interest rate swaps were determined by Santander UK plc. The fair value measurement for all interest rate swaps has been categorised as level 2 fair value based on the inputs to the valuation techniques used. A description of the level categories of the fair value measurement hierarchy is given in note 24, Financial Risk Management.

There have been no transfers to or from Level 2.

The interest rate swaps have been valued by Santander UK plc on the basis of comparing the contractual rate entered into with the LLP and the prevailing market rate at the date of valuation.

The net liability of all the swap contracts at fair value as at the year end is as follows:

	Group		LLP	
	2018	2017	2018	2017
	£	£	£	£
Fair value as at 31 March 2017	349,748	350,774	349,748	350,774
Fair value (gain)/loss	(245,670)	(1,026)	(245,670)	(1,026)
Fair value as at 31 March 2018	<u>104,078</u>	<u>349,748</u>	<u>104,078</u>	<u>349,748</u>

25. FINANCIAL RISK MANAGEMENT

The strategy of the group is to invest in United Kingdom commercial property, either as investment property in the LLP, with a view to holding it for capital appreciation and enhancing rental income, or through group trading company subsidiaries, for the purpose of trading in property.

The group's principal financial instruments arise directly from its operations. Members' capital and amounts due to and from members also fall to be treated as financial instruments. The main purpose of these financial instruments is to finance the operations of the group. The group does not have any exposure to any derivative instruments other than the interest rate swaps entered into to hedge the interest paid on the interest bearing bank loan. It is and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

The group has exposure to market risk, credit risk and liquidity risk arising from the use of financial instruments. This note presents information about the exposure of both the group and the LLP to each of the above risks and the objectives and policies and processes for measuring and managing risk. There is no foreign currency risk as all assets and liabilities of the group are maintained in pounds sterling.

The members review and agree policies for managing its risk exposure which are summarised below.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018****25. FINANCIAL RISK MANAGEMENT (continued)****Credit risk**

Credit risk is the risk that an issuer or counterparty to an asset will be unable or unwilling to meet a commitment that it has entered into with the group.

In the event of default by an occupational tenant, the group will suffer a rental shortfall and incur additional costs including: legal expenses; and in maintaining, insuring, and re-letting the property. The Designated members of the LLP monitor any tenant arrears in order to anticipate, and minimise the impact of, defaults by occupational tenants.

The carrying amount of financial assets, including cash balances, amounts due from tenants and other receivables recorded in the financial statements represents the group's maximum exposure to credit risk.

The carrying amount of these assets at 31 March 2018 was:

	Group		LLP	
	2018	2017	2018	2017
	£	£	£	£
Carrying value of financial assets	<u>658,650</u>	<u>565,915</u>	<u>2,667,926</u>	<u>3,856,904</u>

There were no financial assets which were considered impaired as at 31 March 2018 (2017: none).

All of the group's cash is placed with financial institutions with a Standard and Poor's long-term credit rating of A-1 or better. Bankruptcy or insolvency of such financial institutions may cause the group's ability to access cash placed on deposit to be delayed or limited. Should the credit quality or the financial position of the banks currently employed significantly deteriorate cash holdings would be moved to another bank.

Liquidity risk

Liquidity risk is the risk that the group will encounter in realising assets or otherwise raising funds to meet financial commitments. The group's investments and trading stock comprise UK commercial property. Such commercial property is not traded in an organised public market and may be illiquid. As a result the group may not be able to liquidate quickly the property that it holds at an amount close to their fair value in respect of investment property assets or cost in respect of trading property stock.

The group's liquidity risk is managed on an ongoing basis by the members. In order to mitigate liquidity risk the group aims to have sufficient cash balances (including the expected proceeds of any property sales) to ensure that the group is able to meet its obligations for a period of twelve months.

As disclosed in note 18, the group has a secured bank loan that contains a loan covenant. A future breach of the covenant may require the group to repay the loan earlier than indicated in the table below. The covenant is monitored on a regular basis to ensure compliance.

BROOKSHIRE CAPITAL LLP (REGISTERED NUMBER: OC351469)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018

25. FINANCIAL RISK MANAGEMENT (continued)

At the reporting date, the maturity profile of the group and LLP financial assets and financial liabilities were (on a contractual basis):

Group	Contractual value					
	Carrying amount £	Within one year £	1 - 2 years £	2 -5 years £	More than 5 years £	Total £
At 31 March 2018						
Financial assets						
Trade and other receivables	47,939	47,939	-	-	-	47,939
Financial instruments at fair value	49,706	-	-	49,706	-	49,706
Cash and cash equivalents	605,971	605,971	-	-	-	605,971
	<u>703,616</u>	<u>653,910</u>	<u>-</u>	<u>49,706</u>	<u>-</u>	<u>703,616</u>
Financial liabilities						
Trade and other payables	219,343	219,343	-	-	-	219,343
Financial instruments at fair value	153,784	32,242	121,542	-	-	153,784
Loan borrowings: related party	650,000	650,000	-	-	-	650,000
Loan borrowings: bank	10,032,055	339,743	339,743	9,352,569	-	10,032,055
	<u>11,055,182</u>	<u>1,241,328</u>	<u>461,285</u>	<u>9,352,569</u>	<u>-</u>	<u>11,055,182</u>
At 31 March 2017						
Financial assets						
Trade and other receivables	128,896	128,896	-	-	-	128,896
Financial instruments at fair value	-	-	-	-	-	-
Cash and cash equivalents	432,420	432,420	-	-	-	432,420
	<u>561,316</u>	<u>561,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>561,316</u>
Financial liabilities						
Trade and other payables	145,144	145,144	-	-	-	145,144
Financial instruments at fair value	349,748	14,327	68,375	267,046	-	349,748
Loan borrowings: related party	6,925,000	6,925,000	-	-	-	6,925,000
Loan borrowings: bank	10,727,421	380,160	380,160	9,967,101	-	10,727,421
	<u>18,147,313</u>	<u>7,464,631</u>	<u>448,535</u>	<u>10,234,147</u>	<u>-</u>	<u>18,147,313</u>

BROOKSHIRE CAPITAL LLP (REGISTERED NUMBER: OC351469)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018

25. FINANCIAL RISK MANAGEMENT (continued)

LLP	Contractual value					
	Carrying amount £	Within one year £	1 - 2 years £	2 -5 years £	More than 5 years £	Total £
At 31 March 2018						
Financial assets						
Trade and other receivables	2,085,296	2,085,296	-	-	-	2,085,296
Financial instruments at fair value	49,706	-	-	49,706	-	49,706
Cash and cash equivalents	528,184	528,184	-	-	-	528,184
	<u>2,663,186</u>	<u>2,613,480</u>	<u>-</u>	<u>49,706</u>	<u>-</u>	<u>2,663,186</u>
Financial liabilities						
Trade and other payables	209,344	209,344	-	-	-	209,344
Financial instruments at fair value	153,784	32,242	121,542	-	-	153,784
Loan borrowings: related party	650,000	650,000	-	-	-	650,000
Loan borrowings: bank	<u>10,032,055</u>	<u>339,743</u>	<u>339,743</u>	<u>9,352,569</u>	<u>-</u>	<u>10,032,055</u>
	<u>11,045,183</u>	<u>1,231,329</u>	<u>461,285</u>	<u>9,352,569</u>	<u>-</u>	<u>11,045,183</u>
LLP						
LLP	Contractual value					
	Carrying amount £	Within one year £	1 - 2 years £	2 -5 years £	More than 5 years £	Total £
At 31 March 2017						
Financial assets						
Trade and other receivables	3,524,799	3,524,799	-	-	-	3,524,799
Financial instruments at fair value	-	-	-	-	-	-
Cash and cash equivalents	327,506	327,506	-	-	-	327,506
	<u>3,852,305</u>	<u>3,852,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,852,305</u>
Financial liabilities						
Trade and other payables	135,856	135,856	-	-	-	135,856
Financial instruments at fair value	349,748	14,327	68,375	267,046	-	349,748
Loan borrowings: related party	6,925,000	6,925,000	-	-	-	6,925,000
Loan borrowings: bank	<u>10,727,421</u>	<u>380,160</u>	<u>380,160</u>	<u>9,967,101</u>	<u>-</u>	<u>10,727,421</u>
	<u>18,138,025</u>	<u>7,455,343</u>	<u>448,535</u>	<u>10,234,147</u>	<u>-</u>	<u>18,138,025</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018

25. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

Some of the group's financial instruments are interest bearing. The related party revolving credit facility is at a fixed rate of 8%. Other borrowings are variable rate instruments. As a consequence the group is exposed to interest rate risk due to fluctuations in the prevailing market rate.

The group's exposure to interest rate risk relates primarily to the group's bank borrowings. To manage the exposure to interest rate risk the group has entered into interest rate swaps. The derivative contracts have been entered into with Santander UK plc on a notional amount of £7,006,250, rising to £9,515,625 from 1 April 2018.

As a result the group is exposed to changes in prevailing interest rates on the remaining balance of its borrowing detailed in note 16. Having assessed the level of risk the members have concluded that it is within acceptable limits.

The interest profile of the group's financial assets and financial liabilities after the impact of the interest rate contracts at the year end are as follows:

Group	Floating rate	Fixed rate	Interest free	Total
	£	£	£	£
As at 31 March 2018				
Financial assets				
Trade and other receivables	-	-	47,939	47,939
Financial instruments at fair value	49,706	-	-	49,706
Cash and cash equivalents	-	-	605,971	605,971
Financial liabilities				
Trade and other payables	-	-	121,700	121,700
Financial instruments at fair value	153,784	-	-	153,784
Loan borrowings: related party	-	650,000	-	650,000
Loan borrowings: bank	10,032,055	-	-	10,032,055
Group	Floating rate	Fixed rate	Interest free	Total
	£	£	£	£
As at 31 March 2017				
Financial assets				
Trade and other receivables	-	-	128,896	128,896
Financial instruments at fair value	-	-	-	-
Cash and cash equivalents	-	-	432,420	432,420
Financial liabilities				
Trade and other payables	-	-	145,144	145,144
Financial instruments at fair value	349,748	-	-	349,748
Loan borrowings: related party	-	6,925,000	-	6,925,000
Loan borrowings: bank	10,727,421	-	-	10,727,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018

25. FINANCIAL RISK MANAGEMENT (continued)

LLP	Floating rate	Fixed rate	Interest free	Total
	£	£	£	£
As at 31 March 2018				
Financial assets				
Trade and other receivables	-	-	2,085,296	2,085,296
Financial instruments at fair value	49,706	-	-	49,706
Cash and cash equivalents	-	-	528,184	528,184
Financial liabilities				
Trade and other payables	-	-	111,701	111,701
Financial instruments at fair value	153,784	-	-	153,784
Loan borrowings: related party	-	650,000	-	650,000
Loan borrowings: bank	10,032,055	-	-	10,032,055
LLP	Floating rate	Fixed rate	Interest free	Total
	£	£	£	£
As at 31 March 2017				
Financial assets				
Trade and other receivables	-	-	3,524,799	3,524,799
Financial instruments at fair value	-	-	-	-
Cash and cash equivalents	-	-	327,506	327,506
Financial liabilities				
Trade and other payables	-	-	135,856	135,856
Financial instruments at fair value	349,748	-	-	349,748
Loan borrowings: related party	-	6,925,000	-	6,925,000
Loan borrowings: bank	10,727,421	-	-	10,727,421

The group has borrowings amounting to £10,032,055 which have interest rates linked to the 3 month LIBOR interest rates. A 1% increase in the LIBOR rate will have the effect of increasing interest payable by £100,320 (2017: £107,274). The effect of the interest rate swap contracts will mitigate this by £95,156 (2017: £89,700). A decrease of 1% would have an equal but opposite effect.

Market price risk

The group holds a portfolio of UK commercial properties. The group invests in investment properties which the members believe will generate long term growth in income and capital, and property that presents suitable trading opportunities. Investment decisions are based on analysis of a number of factors including prospects for future income and capital growth, sector and geographic prospects, tenant covenant strength, lease length and initial and equivalent yields.

Investment risks are spread through letting properties to tenants assessed as low risk. Market price risk is managed as part of the investment management process, typical in the commercial property investment sector. While the objective is to maximise overall returns to the members, consideration of the effects of adverse valuation movements in the portfolio is taken into account. Carrying property valuations are managed through the appointment of an independent external valuer. This does not guarantee a certain sales price will be achieved and a degree of valuation uncertainty will always remain.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018**

25. FINANCIAL RISK MANAGEMENT (continued)

Any changes in market conditions will have a direct impact on the profit or loss reported through the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Details of the investment portfolio held at the balance sheet date are disclosed in note 10. Cost of property held as inventory for trading purposes is disclosed in note 12.

Fair values

When measuring the fair value of an asset or a liability, the group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the group's financial instruments are not materially different from their carrying values, largely owing to their short maturity.

All assets designated at fair value are classified as Level 1 with the exception of interest rate swap derivatives which are classified as Level 2 and other investment property which are classified as Level 3. The valuation technique for investment property is shown in note 11. There have been no transfers between Level 1 and 2 during the current or prior year.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018**

Group	Note	Carrying amount				Fair value				
As at 31 March 2018		Other financial assets	Fair value hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Investment property	11	18,870,000	-	-	-	18,870,000	-	-	18,870,000	18,870,000
Interest rate swaps	15	-	49,706	-	-	49,706	-	49,706	-	49,706
		<u>18,870,000</u>	<u>49,706</u>	<u>-</u>	<u>-</u>	<u>18,919,706</u>				
Financial assets not measured at fair value*										
Trade and other receivables	14	-	-	47,939	-	47,939				
Cash and cash equivalents	16	-	-	605,971	-	605,971				
		<u>-</u>	<u>-</u>	<u>653,910</u>	<u>-</u>	<u>653,910</u>				
Financial liabilities measured at fair value										
Interest rate swaps	20	-	(153,784)	-	-	(153,784)	-	(153,784)	-	(153,784)
		<u>-</u>	<u>(153,784)</u>	<u>-</u>	<u>-</u>	<u>(153,784)</u>				
Financial liabilities not measured at fair value*										
Related party loan	18	-	-	-	(650,000)	(650,000)	-	(650,000)	-	(650,000)
Secured bank loan	18	-	-	-	(10,032,055)	(10,032,055)	-	(10,032,055)	-	(10,032,055)
Trade and other payables	19	-	-	-	(121,700)	(121,700)				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,803,755)</u>	<u>(10,803,755)</u>				

*The group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018

Group	Note	Carrying amount				Fair value				
As at 31 March 2017		Other financial assets	Fair value hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Investment property	11	24,460,000	-	-	-	24,460,000	-	-	24,460,000	24,460,000
Interest rate swaps	15	-	-	-	-	-				
		<u>24,460,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,460,000</u>				
Financial assets not measured at fair value*										
Trade and other receivables	14	-	-	128,896	-	128,896				
Cash and cash equivalents	16	-	-	432,420	-	432,420				
		<u>-</u>	<u>-</u>	<u>561,316</u>	<u>-</u>	<u>561,316</u>				
Financial liabilities measured at fair value										
Interest rate swaps	20	-	(349,748)	-	-	(349,748)		(349,748)		(349,748)
		<u>-</u>	<u>(349,748)</u>	<u>-</u>	<u>-</u>	<u>(349,748)</u>				
Financial liabilities not measured at fair value*										
Related party loan	18	-	-	-	(6,925,000)	(6,925,000)				
Secured bank loan	18	-	-	-	(10,727,421)	(10,727,421)				
Trade payables	19	-	-	-	(145,144)	(145,144)				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,797,565)</u>	<u>(17,797,565)</u>				

*The group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018

LLP As at 31 March 2018	Note	Carrying amount				Fair value				
		Other financial assets	Fair value hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Investment property	11	18,870,000	-	-	-	18,870,000	-	-	18,870,000	18,870,000
Interest rate swaps	15	-	49,706	-	-	49,706	-	49,706	-	49,706
		<u>18,870,000</u>	<u>49,706</u>	<u>-</u>	<u>-</u>	<u>18,919,706</u>				
Financial assets not measured at fair value*										
Trade and other receivables	14	-	-	2,085,296	-	2,085,296				
Cash and cash equivalents	16	-	-	528,184	-	528,184				
		<u>-</u>	<u>-</u>	<u>2,613,480</u>	<u>-</u>	<u>2,613,480</u>				
Financial liabilities measured at fair value										
Interest rate swaps	20	-	(153,784)	-	-	(153,784)	-	(153,784)	-	(153,784)
		<u>-</u>	<u>(153,784)</u>	<u>-</u>	<u>-</u>	<u>(153,784)</u>				
Financial liabilities not measured at fair value*										
Related party loan	18	-	-	-	(650,000)	(650,000)				
Secured bank loan	18	-	-	-	(10,032,055)	(10,032,055)				
Trade payables	19	-	-	-	(111,701)	(111,701)				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,793,756)</u>	<u>(10,793,756)</u>				

*The group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2018**

LLP As at 31 March 2017	Note	Carrying amount					Fair value			
		Other financial assets	Fair value hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Investment property	11	24,460,000	-	-	-	24,460,000	-	-	24,460,000	24,460,000
Interest rate swaps	15	-	-	-	-	-				
		<u>24,460,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,460,000</u>				
Financial assets not measured at fair value*										
Trade and other receivables	14	-	-	3,524,799	-	3,524,799				
Cash and cash equivalents	16	-	-	327,506	-	327,506				
		<u>-</u>	<u>-</u>	<u>3,852,305</u>	<u>-</u>	<u>3,852,305</u>				
Financial liabilities measured at fair value										
Interest rate swaps	20	-	(349,748)	-	-	(349,748)	-	(349,748)	-	(349,748)
		<u>-</u>	<u>(349,748)</u>	<u>-</u>	<u>-</u>	<u>(349,748)</u>				
Financial liabilities not measured at fair value*										
Related party loan	18	-	-	-	(6,925,000)	(6,925,000)				
Secured bank loan	18	-	-	-	(10,727,421)	(10,727,421)				
Trade payables	19	-	-	-	(135,856)	(135,856)				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,788,277)</u>	<u>(17,788,277)</u>				

*The group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value.

26. RELATED PARTY DISCLOSURES

Brookshire Capital LLP continued to provide cash funding to its subsidiary on an interest free basis with no set repayment terms. Management fees of £338,000 (2017: £294,000) were charged to the subsidiary in the year. At the year end Brookshire Trading Limited owed £2,069,305 (2016: £3,423,797).

During the year Brookshire Trading Limited became party to the financing facility which has been arranged with its parent, Brookshire Capital LLP (see note 18). Part of the stock inventory held by Brookshire Trading Limited is used as security for the loan facility.

A revolving credit facility has been provided by Caledonia Treasury Limited, a subsidiary of Caledonia Investments plc. During the year net funds of £6,275,000 were repaid on the facility. Interest of £276,685 (2017: £538,526) was charged in the year. At the year end the LLP owed Caledonia Treasury Limited £650,000.

During the year the LLP entered into a profit share agreement with a Caledonia Investments plc group company, Caledonia TLG Limited. On exercise of the agreement, Caledonia TLG Limited would be entitled to a share of the proceeds on the sale of the property noted in the contingent liability note 27 below.

Rent of £127,398 was recognised in respect of a tenant who is a member of the Caledonia Investments plc group. The terms of the lease were documented on a commercial basis. No rent was outstanding at the year end.

Key management personnel are the designated members whose remuneration is disclosed in the Report of the Members and in the Statement of Members' Interests.

27. CONTINGENT LIABILITY

As shown in the related party note 26, the LLP has entered into a profit share agreement. The obligation to pay the profit share only arises if the LLP sells the investment property specified in the profit share agreement, and Caledonia TLG Limited is still within the Caledonia Investments plc group. There is no obligation on the part of the LLP to sell the property specified in the profit share agreement.

If the investment property was sold at its carrying value at the balance sheet date, a profit share of £527,219 would become payable. The effect on net assets would be to reduce the partner's net equity within the LLP to £9,996,662 and £10,851,290 within the LLP group.

28. ULTIMATE CONTROLLING PARTY

The Partnership's immediate and ultimate parent company is Caledonia Investments plc. Caledonia Investments plc is the controlling party.

Caledonia Investments plc is an investment entity under IFRS 10 and prepares group accounts which do not consolidate investment subsidiaries, consequently these statements are not consolidated.

Group accounts for Caledonia Investments plc may be obtained from its registered office: Cayzer House, 30 Buckingham Gate, London SW1E 6NN.

29. UK MEMBERSHIP OF THE EU

In relation to the assessment and monitoring of economic, political and regulatory risks, the LLP is continuing to evaluate the impact of the outcome of the June 2016 referendum in relation to the UK's membership of the EU on the LLP's business strategy and business risks in the short, medium and long term. In the short term there is no significant impact expected on the LLP's business activities, there will be no immediate change in the business strategy and it does not affect the going concern position of the LLP. Over the course of the expected two year transition period following the notification to leave the EU, the LLP will continue to closely monitor developments and will make appropriate changes to the business strategy once the outcome of the referendum result and its impact on the UK and European service industry is more certain.

30. POST BALANCE SHEET EVENTS

A tenant has entered into a lease surrender contract to vacate an investment property held by the LLP. An agreement for lease with a third party has been entered into in respect of the same property. This transaction is anticipated to materially uplift the carrying fair value of the property at the next valuation point.