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HIGHGROVE SECURITIES LLP

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FOR THE PERIOD 1 FEBRUARY 2013 TO 31 MARCH 2014**

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HIGHGROVE SECURITIES LLP

**GENERAL INFORMATION
FOR THE PERIOD 1 FEBRUARY 2013 TO 31 MARCH 2014**

DESIGNATED MEMBERS:	S T Whittle M J Kerridge
REGISTERED OFFICE:	Brockingbury Stud Roast Green Clavering Saffron Walden Essex England CB11 4SQ
REGISTERED NUMBER:	OC361181 (England and Wales)
ACCOUNTANTS:	MJ Kerridge & Co Unit 8 Smeaton Close Aylesbury HP19 8HL

HIGHGROVE SECURITIES LLP

REPORT OF THE MEMBERS FOR THE PERIOD 1 FEBRUARY 2013 TO 31 MARCH 2014

The members present their report with the financial statements of the LLP for the period 1 February 2013 to 31 March 2014.

PRINCIPAL ACTIVITY

The principal activity of the LLP in the period under review was that of corporate finance advisory services.

SIGNIFICANT CHANGES IN THE PERIOD

The members have uncovered a potential fraud in relation to ex-associates of the LLP. The members estimate that it may be as much as £1.5 million. Investigations are continuing including working with the FBI on part of the above amount; this amounts to a potential sum of £250,000.

The LLP works closely with Highgrove Osprey PLC and the sum of £1.54 million is reflected in the amount owing to that company. Action has been taken to recover the sums in question and it is ongoing.

In addition to the above, the LLP has become more operational and increasing the level of commercial activity. The period under review takes into account the write off of payments made for services not delivered of £1,542,249 in relation to payments made to Messrs Meikle, Barker and an US company named Bulldog, introduced to the LLP by Meikle and Barker. Legal action for recovery of this debt is ongoing.

EVENTS SINCE THE END OF THE PERIOD

Information relating to events since the end of the period is given in the notes to the financial statements.

DESIGNATED MEMBERS

The designated members during the period under review were:

S T Whittle
M J Kerridge
J P O'Connell (appointed 12 February 2015, resigned 20 March 2015)
R L T Cusack (resigned 23 May 2015)

RESULTS FOR THE PERIOD AND ALLOCATION TO MEMBERS

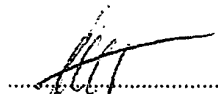
The loss for the period before members' remuneration and profit shares was £2,277,743 (2013 - £164,051 loss).

MEMBERS' INTERESTS

The members' drawings policy allows each member to draw a proportion of their profit share, subject to the cash requirement of the business.

A members' capital requirement is not linked to their profit share. It is agreed between the members and covers the financing requirement of the LLP. There is no opportunity for appreciation of the capital subscribed. Just as incoming members introduce their capital at par, so the retiring partners are repaid at par.

ON BEHALF OF THE MEMBERS:


.....
S T Whittle – Designated member

Date: 28/05/2015
.....

HIGHGROVE SECURITIES LLP**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 1 FEBRUARY 2013 TO 31 MARCH 2014**

	Notes	Period 1.2.13 to 31.3.14 £	Year Ended 31.1.13 £
TURNOVER		1,500,000	-
Administrative expenses		<u>3,777,743</u>	<u>164,051</u>
OPERATING LOSS	3	<u>(2,277,743)</u>	<u>(164,051)</u>
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS	7	<u>(2,277,743)</u>	<u>(164,051)</u>

The notes form part of these financial statements

HIGHGROVE SECURITIES LLP (REGISTERED NUMBER OC361181)**BALANCE SHEET
31 MARCH 2014**

	Notes	31.3.14 £	£	31.1.13 £	£
FIXED ASSETS					
Tangible assets	4		13,771		-
CURRENT ASSETS					
Debtors	5	2,574,920		572,174	
Investments	6	642,457		375,151	
Cash at bank		-		5,391	
		3,217,377		952,716	
CREDITORS					
Amounts falling due within one year	7	3,108,498		690,617	
NET CURRENT ASSETS			108,879		262,099
TOTAL ASSETS LESS CURRENT LIABILITIES and NET ASSETS ATTRIBUTABLE TO MEMBERS			122,650		262,099
LOANS AND OTHER DEBTS DUE TO MEMBERS	8		-		132,500
MEMBERS' OTHER INTERESTS					
Capital accounts	9		122,650		129,599
			122,650		262,099
TOTAL MEMBERS' INTERESTS					
Loans and other debts due to members	8		-		132,500
Members' other interests	9		122,650		129,599
Amounts due from members	5		(2,138,294)		-
			(2,015,644)		262,099

The LLP is entitled to exemption from audit under Section 477 of the Companies Act 2006 as applied to LLPs by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 for the period ended 31 March 2014.

The members acknowledge their responsibilities for:

- (a) ensuring that the LLP keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 as applied to LLPs by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the LLP as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 as applied to LLPs by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 relating to financial statements, so far as applicable to the LLP.

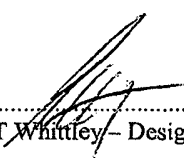
The notes form part of these financial statements

HIGHGROVE SECURITIES LLP (REGISTERED NUMBER OC361181)

BALANCE SHEET – CONTINUED
31 MARCH 2014

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 as applied to LLPs by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 relating to small LLPs and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the members of the LLP on^{28/05/2015} and were signed by:


.....
S T Whittle – Designated member

HIGHGROVE SECURITIES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 FEBRUARY 2013 TO 31 MARCH 2014

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008) and the requirements of the Statement of Recommended Practice, Accounting by Limited Liability Partnerships.

Going concern

The losses shown in the financial statements for the period ended 31 March 2014 will be covered by anticipated future income from one source amounting to £18.4million during the coming years to 31 March 2016. This will more than cover the losses that have arisen in the period in question and will also enable the partnership to repay its debt due to Highgrove Osprey PLC. The income will ensure the financial viability of the partnership and its potential to seek further projects on which it will be able to generate further substantial income. As a result the members are satisfied that the adoption of the going concern basis of accounting is appropriate.

Turnover

Turnover represents net invoiced sales of services, excluding value added tax. Turnover is recognised when the service is provided. Turnover arises in one geographical location, being the UK.

Tangible fixed assets

Tangible fixed assets are recognised in the financial statements at cost. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

- Plant and machinery etc – straight line over 4 years

Current asset investments

Current asset investments are included in the financial statements at cost and fair value, less provision for diminution in value. Any changes in fair value are recognised in the profit and loss account.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

2. MEMBERS REMUNERATION

The members of the LLP were not remunerated in the current or prior period end.

The average monthly number of members of the LLP during the period are as follows:

	31.3.14	31.1.13
	£	£
Members (designated and non-designated)	7 <u>9</u>	<u>9</u>

3. OPERATING LOSS

The operating loss (2013: operating loss) is stated after charging:

	31.3.14	31.1.13
	£	£
Bad debts	1,542,249	-
Commissions payable	<u>1,793,450</u>	<u>-</u>

Bad debts written off during the period relate to amounts paid in relation to services not received by an US company named Bulldog, introduced to the LLP by Mickle and Barker. Legal action for the recovery of this balance is ongoing.

In this period of activity the LLP incurred commission costs which have been recognised within administrative expenses in these financial statements.

HIGHGROVE SECURITIES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 FEBRUARY 2013 TO 31 MARCH 2014

4. TANGIBLE FIXED ASSETS

	Plant and machinery etc
	£
COST	
At 1 February 2013	-
Additions	<u>13,771</u>
At 31 March 2014	<u>13,771</u>
NET BOOK VALUE	
At 31 March 2014	<u>13,771</u>

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.14	31.1.13
	£	£
Trade debtors	-	150,000
Other debtors	<u>2,574,920</u>	<u>422,174</u>
	<u>2,574,920</u>	<u>572,174</u>

Included within other debtors is £2,138,294 due to the LLP by the members relating to the loss incurred in the year.

6. CURRENT ASSET INVESTMENTS

	31.3.14	31.1.13
	£	£
Unlisted investments	<u>642,457</u>	<u>375,151</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.14	31.1.13
	£	£
Bank loans and overdrafts	194	-
Amounts owed to associates	2,417,687	-
Other creditors	<u>690,617</u>	<u>690,617</u>
	<u>3,108,498</u>	<u>690,617</u>

The first date of repayment of the amounts owed to associates (as disclosed under note 12 to the financial statements) is scheduled for May 2015. Further repayments are expected to be made by May 2016.

8. LOANS AND OTHER DEBTS DUE TO MEMBERS

	31.3.14	31.1.13
	£	£
Amounts owed to members in respect of profits	<u>-</u>	<u>132,500</u>
Falling due within one year	<u>-</u>	<u>132,500</u>

HIGHGROVE SECURITIES LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 FEBRUARY 2013 TO 31 MARCH 2014

9. MEMBERS' INTERESTS

	Members' other interests			Loans and other debts due to/(from) members £	Total £
	Members' capital (classified as equity) £	Reserves £	Total £		
Balance at 1 February 2013	129,599	-	129,599	132,500	262,099
Loss for the financial period available for discretionary division among members		(2,277,743)	(2,277,743)		(2,277,743)
Members' interests after loss for the period	129,599	(2,277,743)	(2,148,144)	132,500	(2,015,644)
Drawings	(6,949)	-	(6,949)	6,949	6,949
Other divisions of loss	-	2,277,743	2,277,743	(2,277,743)	
Balance at 31 March 2014	<u>122,650</u>	<u>-</u>	<u>122,650</u>	<u>(2,138,294)</u>	<u>(2,015,644)</u>

10. POST BALANCE SHEET EVENTS

The members have uncovered a potential fraud in relation to ex-associates of the LLP. The members estimate that it may be as much as £1.5 million. Investigations are continuing including working with the FBI on part of the above amount; this amounts to a potential sum of £250,000.

The LLP works closely with Highgrove Osprey PLC and the sum of £1.54 million is reflected in the amount owing to that company. Action has been taken to recover the sums in question and it is ongoing.

On the 10 July 2014 the LLP became the sole shareholder in Highgrove Property Holdings PLC, a company incorporated in England and Wales.

11. ULTIMATE CONTROLLING PARTY

At the balance sheet date the LLP was ultimately controlled by S T Whitley.

12. RELATED PARTY DISCLOSURES

S T Whitley is a designated member of the LLP and a director of Highgrove Osprey PLC. During the period the PLC received services from Highgrove Osprey PLC amounting to £1,795,638. The LLP supplies internal advisory services to Highgrove Osprey PLC and the company procured services amounting to £1.50 million in the year.

Additionally, redeemable bonds at a cost of £1.86 million and other ancillary costs amounting to £0.26 million were novated to Highgrove Osprey PLC from the LLP. As at the 31 March 2014, amounts due to Highgrove Osprey PLC amounted to £2,417,687 (as disclosed under note 7 to the financial statements.)

The LLP also has a cross guarantee with associated entity Highgrove Osprey PLC in relation to a bank guarantee of 50MEUR which was held by the LLP. The bank guarantee was an unconditional and irrevocable guarantee to pay to the beneficiary the principal amount upon maturity of bonds held within Highgrove Osprey PLC on 7 September 2014. The bank guarantee is non transferrable and divisible if this is not rated by rating agencies.

The bank guarantee expired on 29 September 2014 and was not replaced. Security for the bonds held by Highgrove Osprey PLC since this date is assured through the acquisition of equity shareholdings in subsidiaries with a commensurate control of assets at a value of \$25 million.