

Maidstone Property LLP

Report and Financial Statements

Period ended
31 March 2017

Registered number OC411795

THURSDAY



L6HEX29S

LD2

19/10/2017

#89

COMPANIES HOUSE

MAIDSTONE PROPERTY LLP

Annual report and financial statements for the period ended 31 March 2017

Contents

Page:

- 3 Report of the members
 - 5 Statement of members' responsibilities
 - 6 Independent auditors' report
 - 8 Profit and loss account and statement of comprehensive income
 - 9 Statement of changes in equity
 - 10 Balance sheet
 - 11 Cash flow statement
 - 12 Notes to the financial statements
-

Designated members

Maidstone Investment LLP
Nick Leslau

Registered office

Cavendish House, 18 Cavendish Square, London W1G 0PJ

Partnership registration number

OC411795

Auditors

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 OPA

MAIDSTONE PROPERTY LLP

Report of the members for the period ended 31 March 2017

The designated members present their report together with the audited financial statements of Maidstone Property LLP (the "LLP") for the period from incorporation on 12 May 2016 to 31 March 2017.

Results

The results of the LLP are set out in the profit and loss account on page 8 and show a profit for the period of £1,442,000, including a revaluation gain on the investment property of £636,000. Distributions of £456,000 were declared in the period.

Principal activity and review of business

The LLP was established in May 2016 by a limited liability partnership agreement. The principal activity of the LLP is property investment in the United Kingdom.

In May 2016, the LLP purchased London Road Retail Park in Maidstone. The purchase was financed via capital contributions of £8.6m from members and an £11.2m secured loan. The loan expires in May 2021 and incurs interest, fixed by an interest rate swap, at a rate of 3.1% per annum.

Principal risks and uncertainties

Property valuations

The LLP invests in commercial property and so is exposed to movements in property valuations, which are subjective and may vary as a result of a variety of factors, many of which are outside the control of the members. Any internal valuations are carried out by suitably qualified members.

Tenant risk

During the period, the LLP derived its rental income from its investment property which is let to a number of tenants. Although the members consider the tenants to be sufficiently strong to meet their lease obligations as they fall due, there can be no guarantee that they will remain able to do so throughout the term of the leases, and will not suffer any insolvency events. The members review the financial position of the tenants at least every quarter, based on publicly available financial information.

Borrowing

The LLP has granted security to a third party lender in the form of a mortgage over its investment property and fixed and floating charges over certain other assets. There are covenants typical to a facility of this type, including LTV and interest cover tests over the term of the loan. The members review compliance with those financial covenants at least every quarter, including look forward tests for at least twelve months, and considers there is currently sufficient headroom over the covenant thresholds.

Liquidity risk

Working capital must be managed to ensure that the LLP is able to meet its liabilities as they fall due. Unless there is a tenant default (discussed under tenant risk above) the LLP's income and expenditure are generally highly predictable. Projections at least one year ahead are reviewed by the members when the financial statements are approved.

MAIDSTONE PROPERTY LLP

Report of the members for the period ended 31 March 2017 (continued)

Policies in relation to capital and drawings

Policies for members' profit shares, distributions, subscriptions for and repayment of members' capital are set out in the limited liability partnership agreement ("the LLP agreement") dated 12 May 2016 and are summarised below:

Each member has made an initial contribution to the capital of the LLP which is held in the members' Capital Accounts. Capital is only repaid to members upon the dissolution or winding up of the LLP.

Any profits or losses available to the LLP are allocated to the members' Current Accounts in proportion to their respective holdings of capital. Any surplus cash available to the LLP, whether or not arising from profits, may be distributed to members in proportion to their respective holdings of capital.

Designated members

Maidstone Investment LLP and Nick Leslau were appointed as designated members from the date of incorporation.

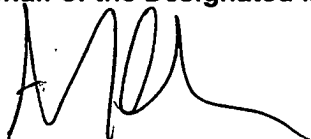
Auditors

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

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

BDO LLP have expressed their willingness to continue in office.

On behalf of the Designated Members



N M Leslau
Designated member

2 October 2017

MAIDSTONE PROPERTY LLP

Statement of members' responsibilities in respect of the financial statements

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

The Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial period. Under these regulations the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under these regulations 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 the profit or loss of the LLP for that period. In preparing those 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions, disclose with reasonable accuracy at any time the financial position of the LLP, and enable them to ensure that the financial statements comply with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MAIDSTONE PROPERTY LLP

Independent auditor's report to the members of Maidstone Property LLP

We have audited the financial statements of Maidstone Property LLP for the period from 12 May 2016 to 31 March 2017 set out on pages 8 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

This report is made solely to the LLP's members, as a body, in accordance with the Limited Liability Partnerships (Accounts and Audit) (Application of the 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.

Respective responsibilities of members and auditors

As explained more fully in the statement of members' responsibilities 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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 March 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

MAIDSTONE PROPERTY LLP

Independent auditor's report to the members of Maidstone Property LLP (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006, as applied to limited liability partnerships, requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 the financial statements in accordance with the small limited liability partnerships' regime.



Russell Field (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
United Kingdom

2 October 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

MAIDSTONE PROPERTY LLP

Profit and loss account for the period ended 31 March 2017

	Note	Period ended 31 March 2017 £000
Turnover	5	1,152
Administrative expenses		(14)
Revaluation of investment property	7	636
Operating profit	4	1,774
Interest payable and similar charges	6	(332)
Profit for the financial period before members' remuneration		1,442
Members' remuneration charged as an expense		(1,442)
Profit for the financial period available for division among members		-

All amounts relate to continuing activities.

Statement of comprehensive income for the period ended 31 March 2017

	Period ended 31 March 2017 £000
Profit for the financial period	-
Other comprehensive loss	
Fair value movements - interest rate swap	(267)
Total comprehensive loss	(267)

The notes on pages 12 to 17 form part of the financial statements.

MAIDSTONE PROPERTY LLP**Statement of changes in members' interests for the period ended 31 March 2017**

	Capital accounts £000	Current accounts £000	Total £000
Total comprehensive loss	-	(267)	(267)
Transactions with owners			
Capital introduced by members	8,619	-	8,619
Members' remuneration charged as an expense	-	1,442	1,442
Distributions to members	-	(456)	(456)
Members' capital classified as equity	8,619	719	9,338

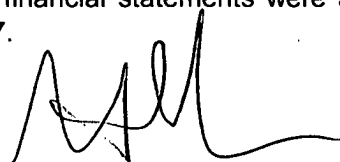
The notes on pages 12 to 17 form part of the financial statements.

MAIDSTONE PROPERTY LLP**Registered number
OC411795****Balance sheet at 31 March 2017**

	Note	31 March 2017 £000
Fixed assets		
Investment property	7	20,303
		20,303
Current assets		
Debtors due within one year	9	199
Cash at bank and in hand	8	665
		864
Creditors: amounts falling due within one year	10	(536)
Net current assets		328
Total assets less current liabilities		20,631
Creditors: amounts falling due after more than one year	11	(11,293)
NET ASSETS ATTRIBUTABLE TO MEMBERS		9,338
MEMBERS' INTERESTS		
Members' capital classified as equity		8,619
Members' current accounts classified as loans and other amounts due to members within one year		719
		9,338

These financial statements have been prepared in accordance with the provisions applicable to LLPs subject to the small LLPs regime.

The financial statements were approved by the members and authorised for issue on 2 October 2017.



N M Leslau
Designated member

The notes on pages 12 to 17 form part of the financial statements.

MAIDSTONE PROPERTY LLP**Cash flow statement for the period ended 31 March 2017**

	Period ended 31 March 2017 £000
Cash flows from operating activities	
Profit for the financial period	1,442
Adjusted for:	
Fixed rent uplifts recognised in advance	(97)
Revaluation of investment property	(636)
Interest payable	332
Change in debtors	(102)
Change in creditors	464
Cash from operations	1,403
Interest paid	(232)
Net cash generated from operating activities	1,171
Cash flows from investing activities	
Purchase of investment property	(19,667)
Net cash used in investing activities	(19,667)
Cash flows from financing activities	
Capital contributions	8,619
Drawdown of secured loan	10,993
Distributions to members	(451)
Net cash from financing activities	19,161
Net increase in cash and cash equivalents	665

The notes on pages 12 to 17 form part of the financial statements.

MAIDSTONE PROPERTY LLP

Notes to the financial statements for the period ended 31 March 2017

1 General information

The financial information set out in this report covers the period from incorporation on 12 May 2016 to 31 March 2017.

The LLP is incorporated in England. The address of the registered office and principal place of business is Cavendish House, 18 Cavendish Square, London W1G 0PJ.

2 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of the investment property, and are in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102"), the requirements of the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships (January 2017)' and the Companies Act 2006 (as applied to limited liability partnerships).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

Turnover

Turnover represents rents receivable during the period from the letting of the investment property at invoiced amounts excluding any value added tax. Rent is recognised on a straight line basis over the term of the lease, even if payments are not made on such a basis. Where income is recognised in advance of the related cash flows, an adjustment is made to ensure that the carrying value of the investment property does not exceed the fair value.

Operating leases

Judgement is exercised in considering the potential transfer of the risks and rewards of ownership for all properties leased to tenants and determine whether such leases are operating leases. A lease is classified as a finance lease if substantially all of the risks and rewards of ownership transfer to the lessee. If the LLP substantially retains those risks, a lease is classified as an operating lease. All the leases reflected in these financial statements are classified as operating leases.

Investment property

Investment property is carried at fair value determined annually and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the profit and loss account.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

MAIDSTONE PROPERTY LLP

Notes to the financial statements for the period ended 31 March 2017 (continued)

2 Accounting policies (continued)

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including secured loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Interest rate swaps

The LLP has entered into a variable to fixed rate interest rate swap to manage its exposure to interest rate cash flow risk on its variable rate debt. The interest swap was measured at fair value at each balance sheet date. To the extent the hedge is effective movements in fair value are recognised in other comprehensive income. Any ineffective portions of those movements are recognised in profit or loss for the period.

Tax

The financial statements do not incorporate any charge or liability for current or deferred tax on the results of the LLP as any relevant tax is the responsibility of the individual members.

Allocation of profits

Profits or losses are allocated to the members' Current Accounts in proportion to their respective holdings of capital. All members' profit shares for the year are treated as members' remuneration in the profit and loss account.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

Accounting policies which have a significant bearing on the reported financial condition and results of the LLP may require subjective or complex judgements. The principal ongoing area of judgement is the investment property valuation which is calculated at each reporting date using recognised valuation techniques.

4 Operating profit

Period ended
31 March 2017
£000

The operating profit is arrived at after charging:
Auditors' remuneration - audit services

7

The LLP did not have any employees in the period.

MAIDSTONE PROPERTY LLP

Notes to the financial statements for the period ended 31 March 2017 (continued)

5 Turnover

	Period ended 31 March 2017 £000
Rental income	1,055
Fixed rent uplifts recognised in advance (note 9)	97
	<u>1,152</u>

All turnover arose from the LLP's principal activity and within the United Kingdom.

6 Interest payable and similar charges

	Period ended 31 March 2017 £000
Secured loan interest	291
Amortisation of finance costs	33
Other finance costs	8
	<u>332</u>

7 Investment property

	31 March 2017 £000
Freehold investment property at valuation	
Acquisition	19,667
Revaluation	636
	<u>20,303</u>
Carrying value of investment property	20,303
Fixed rent uplifts recognised in advance (note 9)	97
	<u>20,400</u>

The investment property was internally valued at 31 March 2017 by P M Brown MRICS and P Wilkinson MRICS (designated members of Maidstone Investment LLP), on an open market value for existing use basis, supported by reference to market evidence of transaction prices for similar properties. The key valuation assumption was a net initial yield of 6.4%.

The historical cost of the property is £19,667,000.

There is a charge over the investment property as security for the loan described in note 11.

MAIDSTONE PROPERTY LLP

Notes to the financial statements for the period ended 31 March 2017 (continued)

8 Cash at bank and in hand

Cash includes £336,000 in accounts held as security by the secured lender.

9 Debtors

	31 March 2017 £000
Due within one year	
Trade debtors	100
Fixed rent uplifts recognised in advance	97
Prepayments	2
	<u>199</u>

10 Creditors: amounts falling due within one year

	31 March 2017 £000
Accruals and deferred income	391
Taxation and social security	78
Service charges	53
Trade creditors	9
Amounts owed to parent undertaking	5
	<u>536</u>

11 Creditors: amounts falling due after more than one year

	31 March 2017 £000
Secured loan	11,190
Unamortised finance costs	(164)
Interest rate swap	267
	<u>11,293</u>

The secured loan incurs interest fixed by an interest rate swap at a rate of 3.1% and is repayable in May 2021. It is secured by a charge over the investment property and by fixed and floating charges over the assets of the LLP.

MAIDSTONE PROPERTY LLP

Notes to the financial statements for the period ended 31 March 2017 (continued)

12 Financial instruments

Financial instruments comprise:

	31 March 2017
	£000
Financial assets at amortised cost	765
Financial liabilities at amortised cost	(11,279)
Financial liabilities at fair value in an effective hedge	<u>(267)</u>

Financial assets at amortised cost comprise cash and trade debtors. Financial liabilities at amortised cost comprise secured loans, trade creditors, amounts owed to parent undertakings and accruals. Financial liabilities at fair value in an effective hedge comprise an interest rate swap, which is designated as a hedge of the variable interest rate risk of the LLP's floating rate borrowing on its investment property.

The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swap. The swap hedges the LLP's £11.2 million secured loan described in note 11, has a notional principal of £11.2 million and matures in May 2021 at the same time as the secured loan. The floating rate on the interest rate swap is three month LIBOR, which is equivalent to the rate payable on the secured loan, and the LLP settles the difference between the fixed and floating interest rate on a net basis every quarter.

The swap has been valued by reference to interbank market rates as at the close of business on the balance sheet date by JC Rathbone Associates Limited.

The LLP's income, expense, gains and losses in respect of financial instruments are summarised as follows:

	Period ended
	31 March 2017
	£000
Interest income for financial assets at amortised cost	-
Interest expense for financial liabilities at amortised cost	(291)
Fair value movements on derivative financial liabilities at fair value in an effective hedge	<u>(267)</u>

There were no impairment losses in relation to financial assets during the period.

MAIDSTONE PROPERTY LLP

Notes to the financial statements for the period ended 31 March 2017 (continued)

13 Operating leases

The investment property is leased to third parties under non-cancellable operating leases. As at the balance sheet date the remaining average lease term was 7.5 years and the future minimum lease payments receivable were as follows:

	31 March 2017 £000
Within one year	1,388
Between one year and five years	5,085
More than five years	2,455
	<hr/>
	8,928

14 Related party transactions

The LLP received net capital contributions of £8,619,000 from and paid distributions of £456,000 to Maidstone Investment LLP during the period, £5,000 of which was outstanding at the balance sheet date. The LLP also received capital contributions of £1 from and paid distributions of £nil to Nick Leslau during the period.

The acquisition cost of the investment property includes £186,000 paid to Wilkinson Williams LLP. Paul Wilkinson is a designated member of Wilkinson Williams LLP and Maidstone Investment LLP, the LLP's parent undertaking.

15 Events after the balance sheet date

Since the balance sheet date, the LLP has made distributions totalling £486,000.

16 Ultimate controlling party

The immediate and ultimate parent undertaking is Maidstone Investment LLP.