

**36 Golden Square LLP**

**Members' report and financial  
statements**

**Registered number OC305925**

**31 March 2009**



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## Members' report

The members present their annual report and the audited financial statements of 36 Golden Square LLP (the "Partnership") for the year ended 31 March 2009.

### Principal activities

The principal activity of the Partnership is investment in and renting out of commercial property.

### Business review

The review is based on the year to 31 March 2009 and the previous 15 month period 1 January 2007 to 31 March 2008.

In the year to 31 March 2009 the Partnership made a profit before distribution of £172,000 (2008: £22,259,000). On 15 June 2007 the partnership sold its only property at 36 Golden Square, repaid the loan held and unwound the related interest rate hedge. A significant proportion of the proceeds were distributed.

On the 25 April 2008 the Partnership was reorganised. The opportunity to re-purchase the property at 36 Golden Square was offered and taken up. The Partnership acquired 88.46% of the property and the remaining 11.54% was acquired by the Lord Saatchi and HSBC Trust Company (UK) Limited. The property has been treated as an investment property.

The members have considered the state of the commercial property market. Their assessment of the valuation of the property at the year end has resulted in a write-down of £3,505,000, all of which has been charged to the revaluation reserve as they consider this to be a temporary diminution in value.

The members consider the results for the year to be satisfactory.

### Designated members

The designated members of the Partnership during the period were:

Lady Saatchi (resigned 25 April 2008)

Lord Saatchi (resigned 25 April 2008)

Lord Saatchi and HSBC Trust company (UK) Limited as trustees of the Lord Saatchi SIPP (appointed 25 April 2008)

Charles Saatchi (resigned 7 April 2008)

Jeremy Sinclair

William Muirhead

David Kershaw

### Policy with respect to members' drawings and repayment of members' capital

Members are entitled to share the profits of the Partnership in accordance with the proportions stated in the Partnership agreement (and as amended on 25 April 2008); these percentages may be varied from time to time in accordance with the provisions of the Partnership agreement. Payment of profits can be repaid or paid (as the case may be) at such time as the designated members determine, in the proportions to which they are entitled.

Members introduce their capital at a proportion determined by the LLP. Repayments of capital are made at such time as the designated members determine, in the proportions to which they are entitled.

### Disclosure of information to auditors

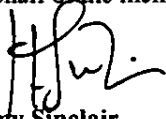
The designated members who held office at the date of approval of these financial statements confirm that, so far as they are each aware, there is no relevant audit information of which the LLP's auditors are unaware; and each designated member has taken all steps that he ought to have taken as a designated member to make himself aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

## Members' report *(continued)*

### Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

On behalf of the members



Jeremy Sinclair  
Designated Member

36 Golden Square  
London W1F 9EE

26 January 2010

## **Statement of members' responsibilities in respect of the Members' Report and the financial statements**

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

The law relating to limited liability partnerships ('LLP') requires the members to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the members are required to:

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

Under the Limited Liability Partnerships Regulations 2001, the members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.



## KPMG LLP

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

### **Independent auditors' report to the members of 36 Golden Square LLP**

We have audited the financial statements of 36 Golden Square LLP for the year ended 31 March 2009 which comprises the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members of the limited liability partnership ('LLP'), as a body, in accordance with section 235 of the Companies Act 1985 as required by Paragraph 3 of the Limited Liability Partnerships Regulation 2001. 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 described in the Statement of Members' Responsibilities on page 3, the LLP's members are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK generally accepted accounting practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the LLP has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding members' remuneration and other transactions is not disclosed.

We read the Members' Report and consider whether it is consistent with audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the LLP's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of 36 Golden Square LLP**  
*(continued)*

**Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the LLP's affairs as at 31 March 2009 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

*28 January* 2010

**Profit and loss account**  
*for the year ended 31 March 2009*

	<i>Note</i>	<b>12 months ended 31 March 2009 £000</b>	<b>15 months ended 31 March 2008 £000</b>
Turnover		1,559	809
Administrative expenses		(40)	(44)
<b>Operating profit</b>	<b>2</b>	<b>1,519</b>	<b>765</b>
Profit on sale of freehold property		-	22,148
Interest receivable and similar income	5	49	35
Interest payable and similar charges	6	(1,396)	(689)
<b>Profit for the financial year before members' remuneration and profit shares available for discretionary division among members</b>	<b>11</b>	<b>172</b>	<b>22,259</b>

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

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

The notes on pages 10 to 15 form part of the financial statements.



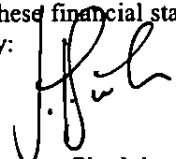
**Statement of Total Recognised Gains and Losses**  
*for the year ended 31 March 2009*

	<b>12 months ended 31 March 2009 £000</b>	<b>15 months ended 31 March 2008 £000</b>
Deficit on revaluation of investment property	(3,505)	-
Net expense recognised directly in equity	(3,505)	-
Profit for the financial year	172	22,259
<b>Total recognised (losses)/gains for the year attributable to members</b>	<b>(3,333)</b>	<b>22,259</b>

**Balance sheet**  
*at 31 March 2009*

	<i>Note</i>	<b>31 March 2009 £000</b>	<b>31 March 2009 £000</b>	<b>31 March 2008 £000</b>	<b>31 March 2008 £000</b>
<b>Fixed assets</b>					
Tangible assets	7		30,961		-
<b>Current assets</b>					
Debtors due after more than one year	8	3,000		-	
Cash at bank and in hand		1,283		2,878	
		<u>4,283</u>		<u>2,878</u>	
<b>Creditors: amounts falling due within one year</b>	9	(875)		(26)	
<b>Net current assets</b>			3,408		2,852
<b>Total assets less current liabilities</b>			34,369		2,852
<b>Creditors: amounts falling due after one year</b>	10		(26,000)		-
<b>Net assets attributable to members</b>			<u>8,369</u>		<u>2,852</u>
<b>Represented by:</b>					
<b>Loans and other debts due to members</b>					
Members' capital classified as a liability under FRS 25	11		-		2,600
<b>Members' other interests</b>					
Members capital classified as equity	11		11,500		-
Other reserves	11		(3,191)		252
			<u>8,369</u>		<u>2,852</u>
<b>Total members' interests</b>					
Loans and other debts due to members	11		-		2,600
Members' other interests	11		8,369		252
			<u>8,369</u>		<u>2,852</u>

These financial statements were approved by the members on 26 May 2010 and were signed on their behalf by:

  
**Jeremy Sinclair**  
*Designated Member*

**Cash flow statement**  
*for the year ended 31 March 2009*

		12 months ended 31 March 2009 £000	15 months ended 31 March 2008 £000
	<i>Note</i>		
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Operating profit		1,519	765
Increase / (decrease) in creditors		524	(622)
<b>Net cash inflow from operating activities</b>		<b>2,043</b>	<b>143</b>
<b>Cash flow statement</b>			
Cash flow from operating activities		2,043	143
Returns on investments and servicing of finance	12	(1,022)	(654)
Capital expenditure	13	(34,466)	47,371
Transactions with members and former members	11	8,850	(22,525)
Cash inflow before management of liquid resources and financing		(24,595)	24,335
Financing	13	23,000	(21,605)
(Decrease) / increase in cash in the period		(1,595)	2,730
<b>Reconciliation of net cash flow to movement in net debt</b>	14		
(Decrease) / increase in cash in the period		(1,595)	2,730
Change in net debt resulting from cash flows		(31,900)	21,605
Movement in net debt in the period		(33,495)	24,335
Net debt at the start of the period		278	(24,057)
<b>Net debt at the end of the period</b>	14	<b>(33,217)</b>	<b>278</b>

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

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

#### ***Basis of preparation***

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

#### ***Leases***

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

#### ***Tangible fixed assets and investment properties***

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. In accordance with SSAP 19, (i) investment properties are revalued annually by the members at open market value and the aggregate surplus or deficit is transferred to an investment revaluation reserve unless the deficit is expected to be permanent, in which case it is charged to the profit and loss account, (ii) an external professional valuation will be carried out at least every five years, (iii) no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run, (iv) the profit on disposal is based on book value.

The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The members consider that, as the property is not held for consumption but for investment, to depreciate it would not give a true and fair view and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

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

#### ***Taxation***

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

#### ***Classification of members' capital of the partnership***

Following the adoption of FRS 25, the members' capital of the partnership is treated as equity only to the extent that the partnership has an unconditional right to avoid repaying the capital.

Members are entitled to a share in the profits accordance with the proportions stated in the Partnership agreement (and as amended on 25 April 2008); these percentages may be varied from time to time in accordance with the provisions of the Partnership agreement.

The profit share to members is not pre-determined, as such the profit is classified as equity and there is no charge to the profit and loss account.

#### ***Allocation of profits***

The allocation of profits to those who were members made during the period are made as per the partnership agreement. Unallocated profits are shown in 'members' other interests'.

## Notes (continued)

### 1 Accounting policies (continued)

#### Turnover

Turnover is recognised over the period it relates to, based on the accruals principal, and represents rental income. Turnover is stated net of discounts and VAT.

#### Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash), government securities and investments in money market managed funds.

### 2 Operating profit

	12 months ended 31 March 2009 £000	15 months ended 31 March 2008 £000
<i>Operating profit is stated after charging:</i>		
Auditors remuneration:		
- Audit of these financial statements	8	5
Amounts receivable by the auditors and their associates in respect of:		
- Tax compliance	2	2
- Tax advice	17	-
	<u>          </u>	<u>          </u>

### 3 Remuneration of members

The distribution of profits to those who were members during the financial year occurs at the discretion of the partnership and at such times as the designated members determine. No members receive any salaried remuneration (2008: £nil).

The profit entitlement due to members in 2009 was £424,115 (2008: £2,776,440).

The estimated profit share entitlement to the member with the largest entitlement in respect of 2009 was £119,855 (2008: £555,288).

### 4 Member/staff numbers

There was an average of 4 members during the period (2008: 7 members).

## Notes (continued)

### 5 Interest receivable and similar income

	12 months ended 31 March 2009	15 months ended 31 March 2008
	£000	£000
Bank interest receivable	49	35

### 6 Interest payable and similar charges

	12 months ended 31 March 2009	15 months ended 31 March 2008
	£000	£000
On bank loans and overdrafts	1,396	689

### 7 Tangible fixed assets

#### Investment Properties

	Land and Buildings £000
<i>Valuation</i>	
At 1 April 2008	-
Additions	34,466
Revaluations	(3,505)
At 31 March 2009	30,961
<i>Net book value</i>	
At 31 March 2009	30,961
At 31 March 2008	-

The property was acquired on 25 April 2008 at market value and is being leased under an operating lease, the year end net book value is shown above.

In light of recent market conditions the members sought professional advice on the valuation of the property and based on that advice are of the opinion that the open market value at the year end was £35,000,000 of which the LLP own 88.46%. This has resulted in a temporary write down of £3,505,000. The members are of the opinion that the carrying value of the property is not materially different to the open market value.

## Notes (continued)

### 8 Debtors: amounts falling due more than one year

	31 March 2009 £000	31 March 2008 £000
Loan to joint owner	3,000	-

The loan relates to the joint owners share of the long term bank loan (note 10).

### 9 Creditors: amounts falling due within one year

	31 March 2009 £000	31 March 2008 £000
Other creditors	342	-
Tax and social security	68	-
Accruals and deferred income	465	26
	<u>875</u>	<u>26</u>

### 10 Creditors: amounts falling due after more than one year

	31 March 2009 £000	31 March 2008 £000
Bank loans and overdrafts	26,000	-

The bank loan is secured against the LLP's investment property (note 7).

The LLP has a loan facility with The Royal Bank of Scotland Plc which totals £26,000,000 and is repayable at the end of the 5 year term in 2013. The loan has an interest rate of LIBOR plus a margin of 1.35%.

In order to reduce the risk of fluctuations in the interest rate the LLP entered into an interest rate swap facility. This has the affect of fixing the interest rate on the above loan at 5.15%, plus a margin of 1.35%. The LLP has chosen not to include the derivative at fair value in the financial statements, which as at 31 March 2009 had a mark to market value of £3,188,000 liability (2008: £nil).

## Notes (continued)

### 11 Members' accounts

	Members' capital classified as equity £000	Revaluation reserve £000	Other reserves £000	Total £000	Loans and other debts due to members £000	Total members' interests £000
At 1 April 2008	-	-	252	252	2,600	2,852
Profit for the financial year available for discretionary division among members	-	-	172	172	-	172
	-	-	424	424	2,600	3,024
Amounts distributed to members in the year	-	-	(50)	(50)	-	(50)
Amounts introduced / (repaid) to members	11,500	-	-	11,500	(2,600)	8,900
Deficit on revaluation of investment property	-	(3,505)	-	(3,505)	-	(3,505)
Total at 31 March 2009	11,500	(3,505)	374	8,369	-	8,369

During the year the company made a profit distribution totalling £50,000 (2008: £nil).

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

### 12 Returns on investment and servicing of finance

	12 months period ended 31 March 2009 £000	15 months period ended 31 March 2008 £000
Interest received	49	35
Interest paid	(1,071)	(689)
	(1,022)	(654)





## Notes (continued)

### 13 Analysis of cash flows

	12 months ended 31 March 2009 £000	12 months ended 31 March 2008 £000	15 months ended 31 March 2008 £000	15 months ended 31 March 2008 £000
<b>Capital expenditure</b>				
Sale of tangible fixed assets	-		47,461	
Expenses to sell tangible fixed assets	-		(85)	
Purchase of tangible fixed assets	(32,730)		(5)	
Expenses to purchase tangible fixed assets	(1,736)		-	
		<b>(34,466)</b>		<b>47,371</b>
<b>Financing</b>				
Repayment of long-term loan	-		(20,980)	
Repayment of members capital	-		(3,225)	
Loan from member	-		2,600	
New borrowings	26,000		-	
Long-term loan to joint owner	(3,000)		-	
		<b>23,000</b>		<b>(21,605)</b>

### 14 Analysis of net debt

	At 1 April 2008 £000	Cash flow £000	At 31 March 2009 £000
Cash in hand, at bank	2,878	(1,595)	1,283
Debt due after one year	(2,600)	(31,900)	(34,500)
<b>Total</b>	<b>278</b>	<b>(33,495)</b>	<b>(33,217)</b>

### 15 Related party disclosures

The LLP is controlled by the members, most of whom are also directors of M&C Saatchi Worldwide Ltd (the tenant). All rental income received amounted to £1,558,743 (2008: 809,000). No amounts remained outstanding at the year end (2008: none).

The property is held under a joint ownership agreement with the Trustees of the Lord Saatchi SIPP. The LLP acts as an agent for the SIPP and collect and transfer their share of the rental income from which part of the loan interest is deducted. At the end of the year the Trustees of the Lord Saatchi SIPP owed 36 Golden Square LLP £3,000,000 (2008: nil) and 36 Golden Square LLP owed the Trustees of the Lord Saatchi SIPP £16,534 (2008: nil).