

CLIPSTONE INDUSTRIALS 2 LLP
MEMBERS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2011

Registered number OC346259

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**CLIPSTONE INDUSTRIALS 2 LLP
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2011**

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**CLIPSTONE INDUSTRIALS 2 LLP
DESIGNATED MEMBERS AND ADVISERS
FOR THE YEAR ENDED 5 APRIL 2011**

Designated members

T J G Dean
Nest Egg Limited
W J Arnold

Registered office

82 St John Street
London EC1M 4JN

Bankers

The Co-operative Bank p l c
1 Balloon Street
Manchester M60 4EF

Auditors

Beavis Morgan Audit Limited
82 St John Street
London EC1M 4JN

Solicitors

Russell-Cooke LLP
8 Bedford Row
London WC1R 4BX

Registered number

OC346259

**CLIPSTONE INDUSTRIALS 2 LLP
MEMBERS' REPORT
FOR THE YEAR ENDED 5 APRIL 2011**

The members present their report and the financial statements for the year ended 5 April 2011

Principal activity

The principal activity of the LLP is the investment in and letting of commercial properties

Review of business

In the opinion of the members the state of the LLP's affairs at 5 April 2011 is satisfactory

Throughout the year the LLP continued to own a freehold building at Ravensbank Business Park, 9 Hedera Road, Redditch let in its entirety to SP Group Limited. During the year the LLP acquired a 52.65% interest in Clipstone JV LLP.

Designated members

The designated members of the LLP during the period were

T J G Dean
Nest Egg Limited
W J Arnold

Policy on members' drawings and the subscription and repayment of members' capital

Subject to there being sufficient profits available, the members receive distributions of 9% of their capital contributions three monthly in arrears.

Profits are divided between members pro rata to their capital contributions, such profits being paid to members after the sale of the Redditch property, payment of any balance of distributions due and repayment of capital contributions.

Members have made fixed capital contributions which will be repaid after the sale of the Redditch property or on the winding up of the LLP.

Statement of disclosure to auditor

So far as the members are aware, there is no relevant audit information of which the limited liability partnership's auditors are unaware. Additionally, the members have taken all the necessary steps that they ought to have taken as members in order to make themselves aware of all relevant audit information and to establish that the limited liability partnership's auditors are aware of that information.

CLIPSTONE INDUSTRIALS 2 LLP
MEMBERS' REPORT (continued)
FOR THE YEAR ENDED 5 APRIL 2011

Statement of members' responsibilities

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

Company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) requires the members to prepare financial statements for each financial year. Under the law 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 company law (as applied by 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 limited liability partnership and of the profit or loss of the limited liability partnership for that year. 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership will continue in business

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

Approved by the members on 14 October, 2011 and signed on their behalf by



T J G Dean

Designated member

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLIPSTONE INDUSTRIALS 2 LLP

We have audited the financial statements of Clipstone Industrials 2 LLP for the year ended 5 April 2011 set out on pages 5 to 10. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 (as applied by 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 limited liability partnership's members those matters we are required to state to them in an auditors' 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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the members and auditors

As explained more fully in the Members' Responsibilities 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. 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 Auditing Practices Board's (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the limited liability partnership's affairs as at 5 April 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

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.

Beavis Morgan Audit Ltd

Matthew Burge (Senior Statutory Auditor)
for and on behalf of Beavis Morgan Audit Limited

24 October, 2011

**Chartered Accountants
Registered Auditors**

82 St John Street
London
EC1M 4JN

CLIPSTONE INDUSTRIALS 2 LLP
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 5 APRIL 2011

	Notes	Year ended 5 April 2011 £	Period ended 5 April 2010 £
Turnover		684,385	507,664
Property management expenses		<u>(40,604)</u>	<u>(26,228)</u>
Gross profit		643,781	481,436
Administrative expenses		(5,417)	(8,066)
Other operating income		<u>2,330</u>	<u>-</u>
Operating profit	2	640,694	473,370
Net interest payable	3	<u>(162,250)</u>	<u>(123,094)</u>
Profit for the financial year before members' remuneration and profit shares		478,444	350,276
Members' remuneration charged as an expense		<u>(284,471)</u>	<u>(205,829)</u>
Retained profit for the financial year available for discretionary division among members		<u>193,973</u>	<u>144,447</u>

All profit and loss items relate to continuing activities

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 5 APRIL 2011


	Notes	Year ended 5 April 2011 £	Period ended 5 April 2010 £
Profit for the financial year		193,973	144,447
Unrealised surplus on revaluation of investment property	9	<u>300,000</u>	<u>88,861</u>
Total recognised gains relating to the year		<u>493,973</u>	<u>233,308</u>

CLIPSTONE INDUSTRIALS 2 LLP
BALANCE SHEET
AT 5 APRIL 2011

	Notes	5 April 2011		5 April 2010	
		£	£	£	£
FIXED ASSETS					
Investment property	4		8,100,000		7,800,000
Unlisted investment	5		905,670		-
			<u>9,005,670</u>		<u>7,800,000</u>
CURRENT ASSETS					
Debtors	6	32,885		58,389	
Cash at bank and in hand		<u>350,306</u>		<u>455,134</u>	
		383,191		513,523	
CREDITORS Amounts falling due within one year	7	<u>(360,878)</u>		<u>(196,907)</u>	
NET CURRENT ASSETS			<u>22,313</u>		<u>316,616</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			9,027,983		8,116,616
CREDITORS amounts falling due after more than one year	8		<u>(5,145,000)</u>		<u>(4,656,250)</u>
NET ASSETS ATTRIBUTABLE TO MEMBERS			<u>3,882,983</u>		<u>3,460,366</u>
REPRESENTED BY					
Loans and other debts due to members within one year					
Fixed distributions due to members	9		<u>5,702</u>		<u>77,058</u>
Members' other interests.					
Members' capital	9	3,150,000		3,150,000	
Investment revaluation reserve	9	388,861		88,861	
Other reserves	9	338,420		144,447	
		<u>3,877,281</u>		<u>3,383,308</u>	
		<u>3,882,983</u>		<u>3,460,366</u>	
TOTAL MEMBERS' INTERESTS					
Loans and other debts due to members	9		5,702		77,058
Members' other interests	9		3,877,281		3,383,308
			<u>3,882,983</u>		<u>3,460,366</u>

These financial statements have been prepared in accordance with the provisions applicable to limited liability partnerships subject to the small limited liability partnerships regime within Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The accounts were approved for issue by the members on *14 October*, 2011
and were signed on its behalf by


P J G Dean
Designated member

Limited Liability Partnership Registration No OC346259

CLIPSTONE INDUSTRIALS 2 LLP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2011

1 ACCOUNTING POLICIES

(a) Accounting policies

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

(b) Basis of preparation

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)

The financial statements have been prepared on the going concern basis and the members confirm the partnership's ability to continue as a going concern for the period of at least 12 months from the date of approval of these financial statements

(c) Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Limited Liability Partnership Statement of Recommended Practice

(d) Turnover

Turnover represents rents receivable net of VAT. All rents are accounted for on a receivable basis and arose in the United Kingdom

(e) Investment property

The investment property is included in the balance sheet at its open market value. No depreciation is provided on the investment property. Although this accounting policy is in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), it is a departure from the general requirement of the Companies Act 2006 for all tangible assets to be depreciated. In the opinion of the members compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

(f) Investments

Fixed asset investments are stated at cost less provision for diminution in value. The carrying value of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

2 OPERATING PROFIT

	Year to 5 April 2011 £	Period to 5 April 2010 £
Operating profit is stated after charging		
Auditors' remuneration	<u>1,850</u>	<u>1,850</u>

CLIPSTONE INDUSTRIALS 2 LLP
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 5 APRIL 2011

3 NET INTEREST PAYABLE

	Year to 5 April 2011 £	Period to 5 April 2010 £
Bank loan interest payable	132,590	104,572
Bank loan issue costs	30,493	18,621
Other interest payable	40	-
Bank interest receivable	(873)	(99)
	<u>162,250</u>	<u>123,094</u>

4 INVESTMENT PROPERTY

	Freehold £
Cost or valuation	
At 6 April 2010	7,800,000
Revaluation in the period	300,000
At 5 April 2011	<u>8,100,000</u>

The property included above at a valuation of £8,100,000 has a historical cost of £7,711,139

The property was revalued by the designated members at the balance sheet date on an open market basis

5 UNLISTED INVESTMENT

	Shares in participating interests £
Cost	
Additions at cost	905,670
At 5 April 2011	<u>905,670</u>

The unlisted investment represents the LLPs 52.65% interest in Clipstone JV LLP, a limited liability partnership incorporated in England and Wales. At 5 April 2011, the total members' interests of Clipstone JV LLP was £1,790,211 and its profit for the period before members' remuneration and profit shares then ended was £69,906

6 DEBTORS

	5 April 2011 £	5 April 2010 £
Prepayments and accrued income	32,838	58,342
Other debtors	47	47
	<u>32,885</u>	<u>58,389</u>

7 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	5 April 2011 £	5 April 2010 £
Bank loan - due within one year	170,000	-
Rental income in advance	148,127	148,127
Accruals	12,724	21,853
Other creditors	30,027	26,927
	<u>360,878</u>	<u>196,907</u>

CLIPSTONE INDUSTRIALS 2 LLP
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 5 APRIL 2011

8 CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR

	5 April 2011 £	5 April 2010 £
Bank loan - due between one and two years	180,000	-
Bank loan - due between two and five years	4,965,000	4,656,250
	<u>5,145,000</u>	<u>4,656,250</u>

The bank loan is secured by a fixed charge over the investment property
Interest is charged at 2.0% over LIBOR

At 5 April 2011, the LLP held an interest rate cap contract for a notional amount of £3,550,000 at a Cap Rate of 5.55%. The contract terminates on 16 July 2012

9 RECONCILIATION OF MEMBERS' INTERESTS

	Members' Capital (classified as equity) £	Members' Other Interests Investment Revaluation Reserve £	Other Reserves £	Total £	Loans and other debts due to members £	Total £
Balance at 6 April 2010	3,150,000	88,861	144,447	3,383,308	77,058	3,460,366
Profit for the financial year available for discretionary division among members	-	-	193,973	193,973	-	193,973
Surplus arising on revaluation of investment property	-	300,000	-	300,000	-	300,000
Members' remuneration charged as an expense						
- fixed distributions due to members	-	-	-	-	284,471	284,471
- fixed distributions paid to members	-	-	-	-	(355,827)	(355,827)
Balance at 5 April 2011	<u>3,150,000</u>	<u>388,861</u>	<u>338,420</u>	<u>3,877,281</u>	<u>5,702</u>	<u>3,882,983</u>

In the event of a winding up the amounts included in "Loans and other debts due to members" will rank equally with unsecured creditors

10 LOANS AND OTHER DEBTS DUE TO MEMBERS

	5 April 2011 £	5 April 2010 £
Amounts owed to members in respect of profits	<u>5,702</u>	<u>77,058</u>

CLIPSTONE INDUSTRIALS 2 LLP
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 5 APRIL 2011

11 INFORMATION IN RELATION TO MEMBERS

	5 April 2011 Number	5 April 2010 Number
The average number of members during the year was	<u>18</u>	<u>17</u>
The share of profit to the member with the largest entitlement during the year was	<u>£129,100</u>	<u>£94,500</u>

12 CONTROL

In the opinion of the designated members, there is no controlling member

13 RELATED PARTY TRANSACTIONS

During the year management fees totalling £40,604 (2010 £26,228) were charged by Clipstone Land Limited to the LLP, of which £665 (2010 £9,403) was owed at the year end T J G Dean is a designated member of the LLP and a director of Clipstone Land Limited All transactions were carried out at arm's length