

**10 Gresham Street Limited Liability Partnership**

Annual Report and Financial Statements

For the Year Ended 31 December 2012

Partnership registration OC356762

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# **10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP**

## **Audited report and financial statements for the year ending 31 December 2012**

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## **10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP**

### **Officers and professional advisers**

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#### **Property Asset Manager**

CBRE Global Investors  
Third Floor  
One New Change  
London  
EC4M 9AF

#### **LLP Registered office**

Third Floor  
One New Change  
London  
EC4M 9AF

#### **Bankers**

Barclays Bank Plc  
Level 27, 1 Churchill Place  
London  
E14 5HP

#### **Independent Valuer's**

Knight Frank LLP  
55 Baker Street  
London  
W1U 8AN

#### **Lawyers**

Berwin Leighton Paisner LLP  
Adelaide House  
London Bridge  
London  
EC4R 9HA

#### **Auditors**

KPMG Channel Islands Limited  
37 Esplanade  
St Helier  
Jersey  
JE4 8WQ

## **10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP**

### **Report of the Designated Members for the year ending 31 December 2012**

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The Designated Members submit their report and the financial statements for 10 Gresham Street Limited Liability Partnership (the “LLP”) for the year ending 31 December 2012

#### **Principal activity and business review**

The principal activity of the LLP is property investment in the United Kingdom. The Designated Members do not anticipate any significant change in the principal activity in the foreseeable future.

The key risks facing the Company relate to tenant exposure and the strength of the UK property market. Tenants’ covenants are monitored at the start of leasing agreements and on an ongoing basis and collection performance is closely monitored. Quarterly property valuations are used to monitor the valuation performance of the Company’s property assets against the IPD benchmark.

A more comprehensive discussion of risks, risk management and key performance indicators is included in the Annual Report of the ultimate controlling party, Kumpulan Wang Persaraan (Diperbadankan), which does not form part of this report and is available on [www.kwap.gov.my](http://www.kwap.gov.my)

#### **Transition to IFRS**

For all periods up to and including the year ended 31 December 2011, the Company prepared its financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). These financial statements, for the year ended 31 December 2012, are the first the Company has prepared in accordance with International Financial Reporting Standards (IFRS). Further information on the transition is provided in the notes to the financial statements.

#### **Results and Distribution**

The Comprehensive Income for the year was £14,836,000 before Members’ interests (31 December 2011 £24,272,000). Distributions of £10,341,000 were paid during the financial year (31 December 2011 £10,100,00).

The LLP paid a distribution in the sum of £2,614,034 on 3 January 2012.

#### **Auditors**

Deloitte LLP resigned during the year and KPMG Channel Islands Limited were appointed for the year ended 31 December 2012.

KPMG Channel Islands Limited have indicated their willingness to continue in office.

## 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

### Report of the Designated Members for the year ending 31 December 2012

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#### Provision of Information to the Auditor


Each of the persons who is a Director of the Designated Members for the LLP at the date of approval of this report have confirmed that:

- (a) so far as he is aware, there is no relevant audit information of which the LLP's auditor is unaware, and
- (b) he has taken all the steps that he ought to have taken as a Director of the Designated Member for the LLP in order to make himself aware of any relevant audit information and to establish that the LLP's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

Approved by the Designated Members and signed on their behalf by

  
Director / AUTHORIZED SIGNATORY

  
Director / AUTHORIZED SIGNATORY

## **10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP**

### **Statement of members' responsibilities**

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The Designated Members are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 require the Designated Members to prepare financial statements for each financial year. Under that law the Members have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. 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 for that period. In preparing these financial statements, the Designated 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 applicable International Financial Reporting 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 Partnership will continue in business

The Members are responsible for keeping adequate accounting records that 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 Companies Act 2006, as applicable to limited liability partnerships. 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



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37 Esplanade  
St Helier  
Jersey JE4 8WQ  
Channel Islands

## **Independent auditor's report to the members of 10 Gresham Street Limited Liability Partnership**

We have audited the financial statements of 10 Gresham Street Limited Liability Partnership ("the Partnership") for the year ended 31 December 2012 which comprise the statement of comprehensive income, the statement of changes in net assets attributable to members, the statement of financial position, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as required by regulation 4 of the Partnerships (Accounts) regulations 2008. Our audit work has been undertaken so that we might state to the qualifying 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 qualifying partnership and the qualifying partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of general partners and auditors**

As explained more fully in the statement of members' responsibilities set out on page 3, the designated 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 Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the general partner, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



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## **Independent auditor's report to the members of 10 Gresham Street Limited Liability Partnership – continued**

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the qualifying Partnership's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards, and
- have been prepared in accordance with the requirements of Companies Act 2006, as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the report of the designated members for the financial year for which the financial statements are prepared is consistent with the financial statements

### **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 applicable to limited liability partnerships requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the partnership, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of members' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Steven Hunt (Senior Statutory Auditor)  
For and on behalf of KPMG Channel Islands Limited  
*Chartered Accountants and statutory auditor*  
15 February 2013



## 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

### Statement of comprehensive income for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
<b>Income</b>			
Rental income	5	11,018	11,517
Service charge income		2,272	2,275
Service charge expense		<u>(2,272)</u>	<u>(2,275)</u>
<b>Net rental income</b>		<b>11,018</b>	<b>11,517</b>
Administrative expenses	6	<u>(888)</u>	<u>(590)</u>
<b>Operating profit</b>		<b>10,130</b>	<b>10,927</b>
Finance expense		(544)	(555)
Changes in fair value of investment properties		<u>5,250</u>	<u>13,900</u>
<b>Total comprehensive income for the year</b>		<b><u>14,836</u></b>	<b><u>24,272</u></b>

All amounts relate to continuing activities

The notes on pages 10 to 28 form part of these financial statements

# 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

## Statement of changes in net assets attributable to members for the year ended 31 December 2012

	<b>Members capital £'000</b>	<b>Members Loans £'000</b>	<b>Revaluation Reserve £'000</b>	<b>Income Account £'000</b>	<b>Total £'000</b>
<b>Balance at 1 January 2011</b>	<b>10</b>	<b>183,290</b>	<b>(2,296)</b>	<b>493</b>	<b>181,497</b>
Total comprehensive Income for the year	-	-	-	24,272	24,272
Income distribution paid	-	-	-	(10,100)	(10,100)
Transfer to revaluation reserve	-	-	13,900	(13,900)	-
<b>Balance at 31 December 2011</b>	<b>10</b>	<b>183,290</b>	<b>11,604</b>	<b>765</b>	<b>195,669</b>
Total comprehensive Income for the year	-	-	-	14,836	14,836
Income distribution paid	-	-	-	(10,341)	(10,341)
Transfer to revaluation reserve	-	-	5,250	(5,250)	-
<b>Balance at 31 December 2012</b>	<b>10</b>	<b>183,290</b>	<b>16,854</b>	<b>10</b>	<b>200,164</b>

The notes on pages 10 to 28 form part of these financial statements


# 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

## Statement of financial position as at 31 December 2012

	Note	2012 £'000	2011 £'000
<b>Assets:</b>			
<b>Non-current assets</b>			
Investment property	8	<u>210,309</u>	<u>205,059</u>
		210,309	205,059
<b>Current assets</b>			
Trade and other receivables	9	251	2,990
Cash and cash equivalents	10	<u>3,746</u>	<u>1,918</u>
		3,997	4,908
<b>Total assets</b>		<u>214,306</u>	<u>209,967</u>
<b>Members' Equity and liabilities:</b>			
<b>Members' Equity</b>			
Members capital	12	10	10
Members loans		183,290	183,290
Revaluation reserve		16,854	11,604
Income account		<u>10</u>	<u>765</u>
<b>Total members' equity</b>		200,164	195,669
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Obligation under finance lease	11	10,309	10,309
<b>Current liabilities</b>			
Trade and other payables	11	<u>3,833</u>	<u>3,989</u>
<b>Total liabilities</b>		<u>14,142</u>	<u>14,298</u>
<b>Total members' equity and liabilities</b>		<u>214,306</u>	<u>209,967</u>

The Designated Members in accordance with the Limited Liability Partnership Agreement approved the financial statements on pages 6 to 20 and authorised them for issue on 13 February 2013

Signed on behalf of the Designated Members

  
 Director / AUTHORIZED SIGNATORY

  
 Director / AUTHORIZED SIGNATORY

The notes on pages 10 to 28 form part of these financial statements

# 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

## Statement of cash flows for the year ended 31 December 2012 (Comparatives are for the year ended 31 December 2011)

	Note	Year Ended 31 December 2012		Year Ended 31 December 2011	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	13		12,713		9,644
<b>Cashflows from financing activities</b>					
Finance costs paid		(544)		(555)	
Income distribution paid to Members		<u>(10,341)</u>		<u>(10,100)</u>	
			<u>(10,885)</u>		<u>(10,655)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>			1,828		(1,011)
Cash and cash equivalents at 1 January			<u>1,918</u>		<u>2,929</u>
<b>Cash and cash equivalents at 31 December</b>			<u>3,746</u>		<u>1,918</u>

The notes on pages 10 to 28 form part of these financial statements

## **10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP**

**Notes forming part of the financial statements for the year ending 31 December 2012**

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### **1 Accounting policies**

#### **General information**

10 Gresham Street Limited Liability Partnership (the "LLP") holds an investment property in London known as 10 Gresham Street

This is a Limited Liability Partnership and the registered office is Third Floor, One New Change, London, EC4M 9AF

#### **Basis of preparation**

10 Gresham Street Limited Liability Partnership has historically prepared its financial statements in accordance with UK Generally Accepted Accounting Practices (UK GAAP). Following the change in the ultimate controlling party described in note 16, as permitted by section 395 of the Companies Act 2006, as applied to the limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the LLP has elected to present its financial statements in accordance with International Financial Reporting Standards (IFRS). These are the LLP's first IFRS financial statements and IFRS1 First-time Adoption of International Financial Reporting Standards has been applied. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the LLP is provided in note 15.

The financial statements are prepared on the historical cost basis except as otherwise described in these accounting policies.

The financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretation as adopted by the EU, those parts of the Companies Act 2006 applicable to limited liability partnerships reporting under IFRS.

The transition date for the LLP was 1 January 2010, being the start of the period of comparative information.

Critical accounting judgments and key sources of estimation uncertainty are disclosed in note 4.

#### **Going concern**

The LLP's business activities and key uncertainties are set out in the Principal Activity and Business Review section of the Report of the Designated Members on page 1.

The Designated Members are of the belief that the LLP is expected to continue to generate positive cash flows on its own account for the foreseeable future bearing in mind the assets of the LLP and the anticipated rental income that will be received by the LLP. The Designated Members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## **10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP**

**Notes forming part of the financial statements for the year ending 31 December 2012 (*Continued*)**

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### **1 Accounting policies (*continued*)**

#### **Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency') The financial statements are presented in pounds sterling, which is the company's functional currency

#### **Revenue recognition**

Rental income receivable from operating leases, less the LLP's initial direct costs of entering into the leases, is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the designated members are reasonably certain that the tenant will exercise that option

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the income statement when they arise

Property operating expenses are accounted for on an accruals basis and any property operating expenses not recovered from tenants through service charges is charged to the statement of comprehensive income

#### **Liabilities from leases**

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

At the inception of the lease, assets held under a finance lease are recognised at their fair value or, if lower, at the present value of the minimum lease payments Subsequently such assets are measured in analogy to other assets held under the relevant caption (e.g. investment property – at fair value, property, plant and equipment – costs less accumulated depreciation and accumulated impairment losses) The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation Minimum lease payments are apportioned between finance charges and the reduction of the outstanding liability The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability Finance charges are charged directly to the income statement, within the caption other financial income and expenses

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## **10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP**

**Notes forming part of the financial statements for the year ending 31 December 2012 *(Continued)***

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### **1 Accounting policies *(continued)***

#### **Distributions**

Distributions to the LLP's members are recognised as a liability in the financial statements in the period in which the distributions are approved

#### **Interest**

Interest income and expenses are recognised within 'finance income' and 'finance expense' in the Statement of Comprehensive Income using the effective interest rate method

#### **Expenses**

Expenses include legal, accounting, auditing and other fees. They are recognised as an expense in the statement of comprehensive income in the period in which they are incurred (on an accruals basis)

#### **Taxation**

As a Limited Partnership, taxable income and chargeable gains and losses are passed through to the individual partners. Accordingly no provision for income tax or corporation tax has been included in these Financial Statements

## **10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP**

**Notes forming part of the financial statements for the year ending 31 December 2012 (Continued)**

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### **1 Accounting policies (continued)**

#### **Investment property**

Property that is held for long-term rental yields or for capital appreciation or both, is classified as investment property in accordance with IAS 40 'Investment Property'

Investment property is measured initially at its cost, including related transaction costs, and thereafter is stated at fair value

Fair values are based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the LLP uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. The valuation was performed as of 19 September 2012 by an independent professional valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued where the valuations are a sufficient proxy for the period end valuation they form the basis for the carrying amount in the financial statements. Future valuations are expected to be at the financial position date.

The fair value of the investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects any cash outflows that could be expected in respect of the property. Head lease obligations are recognised as a separate finance lease liability in the circumstances set out on page 11.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be reliably measured. All other repairs and maintenance costs are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Changes in fair value are recognised and presented in the Statement of Comprehensive Income.

This treatment, as regards the company's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the accounts to give a true and fair view.



## 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ending 31 December 2012 (*Continued*)

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### 1 Accounting policies (*continued*)

#### **Financial instruments**

##### *Financial assets*

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, and available-for-sale financial assets, as appropriate. The LLP determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial assets expire or the company transfers substantially all risks and rewards of ownership.

Financial assets recognised in the statement of financial position as equity investments are classified as available-for-sale. They are recognised at fair value and subsequently measured at cost less provision for impairment as fair value cannot be reliably measured.

Financial assets recognised in the statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised at fair value and subsequently measured at amortised cost less provision for impairment. When a trade receivable is uncollectable it is written off against the allowance account for trade receivables. Subsequently recoveries of amounts previously written off are credited in the statement of comprehensive income. The carrying amount of these assets approximates their fair value.

Cash and cash equivalents are also classified as loans and receivables. Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. The carrying amount of these assets approximates their fair value.

## 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ending 31 December 2012 (*Continued*)

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### 1 Accounting policies (*continued*)

#### **Financial instruments (*continued*)**

##### *Financial liabilities*

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

#### **Members capital**

Members capital contributions are classified as equity when there is no obligation to transfer cash or other assets.

Member loans to the Partnership by any Member are interest-free and unsecured, have repayment rights equivalent to members capital and are repayable in proportion to the amount of the advance.

Distributions from the Partnership are paid in proportion to the Members loans and Members capital.

#### **Adoption of new and revised IFRSs**

At the date of approval of these consolidated financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Management expects that the adoption of these financial reporting standards in future periods will not have a material effect on the consolidated financial statements of the Group, except for

- IFRS9 Financial Instruments, which becomes mandatory for the Group's 2015 consolidated financial statements and is expected to impact the classification and measurement of financial assets. The extent of the impact has not yet been determined,
- IFRS13 Fair value measurement applies where another IFRS requires or allows fair value measurements or disclosures about fair value measurements. The new standard provides guidance on establishing fair values and introduces consistent disclosure requirements. The new standard will require a number of new disclosures in the financial statements regarding the fair value of the investment property.

## 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ending 31 December 2012 (*Continued*)

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### 2 Financial risk management

#### *Financial risk factors*

The LLP has exposure to the following risks from its use of financial instruments

- credit risk
- liquidity risk
- market risk (including currency risk, interest rate risk and other price risk)

The members of the LLP review and agree policies for managing its risk exposure, the primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The LLP's financial assets and financial liabilities comprise cash and cash equivalents, trade and other receivables and trade and other payables that arise directly from its operations. These policies are described below.

Whilst not a financial asset under the definition in note 1, the LLP provides relevant disclosures in respect of its investment property, as management consider that information to be of key interest to members.

#### *Credit risk*

Credit risk is the risk of financial loss to the LLP if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the LLP's receivables from tenants. The LLP has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit history, but the LLP does not monitor the credit quality of receivables on an ongoing basis.

The LLP's maximum exposure to credit risk by class of financial asset is as follows -

	2012 £'000	2011 £'000
<b>Trade and other receivables</b>		
Other debtors	251	2 990
Cash and cash equivalents	3,746	1,918

All amounts shown under debtors fall due for payment within one year.

The fair value of cash and cash equivalents at 31 December 2012 approximates the carrying value. Further details regarding cash and cash equivalents can be found in note 10. Cash risk is mitigated as cash and cash equivalents are held with reputable institutions.

## 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ending 31 December 2012 *(Continued)*

### 2 Financial risk management *(continued)*

#### *Financial risk factors (continued)*

##### *Credit risk (continued)*

With respect to credit risk arising from other financial assets of the LLP, which comprise only of cash, the LLP's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying value of the instruments. There is no significant credit risk for the LLP. The tenants at the 10 Gresham Street property, from which rental income is derived, has been considered by the LLP and is believed to be remote based on the quality of tenants. The property manager monitors the timely collection of amounts due to the LLP on an ongoing basis.

##### *Liquidity risk*

Liquidity risk is the risk that the LLP will not be able to meet its financial obligations as they fall due. The LLP's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the LLP's position.

The LLP's liquidity position is monitored on a quarterly basis by management and is reviewed quarterly by the members.

	2012 £'000	2011 £'000
<b>Financial assets – due within one year</b>		
Trade and other receivables – maturity within one year	251	2,990
Cash and cash equivalents – maturity within one year	<u>3,746</u>	<u>1,918</u>
	<u>3,997</u>	<u>4,908</u>
<b>Financial liabilities – due in 1-5 years</b>		
Finance lease	<u>10,309</u>	<u>10,309</u>
<b>Financial liabilities – due within one year</b>		
Trade and other payables – maturity within one year	<u>3,833</u>	<u>3,989</u>

The debtors are current and none are deemed to be uncollectable. The LLP does not hold any significant collateral to secure its trade and other receivables.

## 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ending 31 December 2012 (*Continued*)

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### 2 Financial risk management (*continued*)

#### *Financial risk factors (continued)*

##### *Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The LLP's market risk arises from open positions in interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

##### a) Price risk

The LLP is exposed to property price and property rental risk. The LLP is not exposed to market risk with respect to financial instruments as it does not hold any marketable equity securities.

The LLP's investments comprise only of a direct property investment. The valuation of the investment property is subject to a number of judgments and estimates which are described in notes 4 and 8 and the entity is exposed directly to these assumptions used.

If the movement in yield is 0.5% higher/lower than the current yield of 5.3% (therefore 5.8%), the Partnership's profit for the year ended 31 December 2012 would increase/decrease by GBP 10.6 million.

##### b) Cash flow and fair value interest rate risk

The LLP has no significant interest-bearing assets.

All other trade and other receivables and payables are interest-free and have settlement dates within one year. Interest rate risk is therefore not significant.

##### c) Sensitivity analysis

IFRS 7 requires disclosure of sensitivity analysis for each type of market risk to which the entity is exposed at the report date showing how profit or loss and equity would have been affected by changing the relevant risk variables that were reasonably possible at that date.

As discussed above, the LLP does not have significant exposure to liquidity, cashflow or interest rate risk and therefore no sensitivity analysis for those risks has been disclosed.

#### **Capital management**

The LLP considers its capital to comprise its members' capital, loans and its accumulated retained earnings.

The objective when managing capital is to safeguard the LLP's ability to continue as a going concern in order to provide returns for the members.

## 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ending 31 December 2012 *(Continued)*

### 2 Financial risk management *(continued)*

#### *Financial risk factors (continued)*

#### **Fair value of financial assets and liabilities**

The amounts recorded on the statement of financial position represent the members' best estimate of the fair values attributable to financial assets and liabilities

#### **Categorisation of financial assets and financial liabilities**

	<b>Loans and receivables measured at amortised cost</b>		<b>Financial liabilities measured at amortised cost</b>	
	<b>2012 £'000</b>	<b>2011 £'000</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Assets per statement of financial position</b>				
Trade and other receivables	251	2,990	-	-
Cash and cash equivalents	3,746	1,918	-	-
<b>Liabilities per statement of financial position</b>				
Trade and other payables	-	-	3,833	3,989
Finance lease	-	-	10,309	10,309
	<b>3,997</b>	<b>4,908</b>	<b>14,142</b>	<b>14,298</b>

## **10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP**

**Notes forming part of the financial statements for the year ending 31 December 2012 (*Continued*)**

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### **3 Segmental analysis**

The LLP's operations are carried out solely in the UK. The results and net assets of the Partnership are derived from its investment in a commercial investment property.

### **4 Critical accounting judgements and key sources of estimation uncertainty**

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

#### *Fair value of investment property*

The Members employed professional valuers Knight Frank LLP to perform a valuation of the investment property using Royal International Chartered Surveyors ("RICS") valuation standards as at 19 September 2012. Volatility in the global financial system is reflected in commercial real estate markets. There was a significant reduction in transaction volumes in 2010 and, to a lesser extent, into 2011. Therefore, in arriving at their estimates of market values as at 31 December 2011 and 31 December 2012, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables. In these circumstances, there was a greater degree of uncertainty than which exists in a more active market in estimating the market values of investment property.

The significant methods and assumptions used by the valuers in estimating the fair value of investment property are set out in Note 8.

## 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ending 31 December 2012 *(Continued)*

<b>5</b>	<b>Rental income</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
	10 Gresham Street	<u><b>11,018</b></u>	<u><b>11,517</b></u>
<b>6</b>	<b>Administrative expenses</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
	Rents payable and other property outgoings	<b>138</b>	61
	Managements fees	<b>726</b>	502
	Valuation fees	-	23
	Audit fees	<b>10</b>	6
	Insurance administration	-	(2)
	Sundry Expenses	<u><b>14</b></u>	<u>-</u>
		<u><b>888</b></u>	<u><b>590</b></u>
<b>7</b>	<b>Employees</b>		
	The LLP has no employees		



## 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ending 31 December 2012 (*Continued*)

### 8 Investment property

	2012 £'000	2011 £'000
At start of year	205,059	191,159
Change in fair value	<u>5,250</u>	<u>13,900</u>
Balance at end of year	<u>210,309</u>	<u>205,059</u>

The investment property held by the LLP is a long leasehold (until 2164) commercial property at 10 Gresham Street, London.

The carrying value of investment properties reconciles to the independently appraised Market Value at 31 December as follows

	2012 £'000	2011 £'000
Appraised Value	200,000	194,750
Valuation of assets held under finance leases	<u>10,309</u>	<u>10,309</u>
Balance at end of year	<u>210,309</u>	<u>205,059</u>

The property was valued on 19 September 2012 by independent professionally qualified valuers, Knight Frank LLP. The fair value of investment property at 31 December 2012 is deemed to be the same as at the time it was valued by the external valuer.

The valuation of the property was based on a yield of 5.3% (2011 5.6%) taking into consideration, the terms of the tenancy agreements, location of the asset and current market conditions.

Market Value is defined within RICS Valuation - Professional Standards as

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”

## 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ending 31 December 2012 (*Continued*)

### 9 Trade and other receivables

	2012 £'000	2011 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	3	2,351
Other debtors and prepayments	248	639
	<u>251</u>	<u>2,990</u>

The debtors are current and none are deemed to be uncollectable

### 10 Cash and cash equivalents

	2012 £'000	2011 £'000
Cash held at bank and by property agent	3,746	1,918
	<u>3,746</u>	<u>1,918</u>

There are no restrictions on the cash held

### 11 Liabilities

	2012 £'000	2011 £'000
<b>Current liabilities:</b>		
<b>Trade and other payables</b>		
Trade creditors	-	722
Other creditors	1,114	615
Accruals and deferred income	2,719	2,652
	<u>3,833</u>	<u>3,989</u>

	2012 £'000	2011 £'000
<b>Non-current liabilities:</b>		
Obligations under Finance Lease	10,309	10,309
	<u>10,309</u>	<u>10,309</u>

## 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ending 31 December 2012 (*Continued*)

### 11 Liabilities (*continued*)

#### Obligations under finance leases

The investment property headlease includes terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lessee. Future minimum lease payments under the finance lease are as follows:

	2012 £'000	2011 £'000
Future minimum payments due		
Not later than one year	546	546
After one year but not more than five years	2,186	2,186
After five years	81,027	81,027
	<u>83,759</u>	<u>83,759</u>
Less: finance charges allocated to future periods	(73,450)	(73,450)
Present value of minimum lease payments	<u>10,309</u>	<u>10,309</u>

The present value of minimum lease payments is analysed as follows:

Not later than one year	519	519
After one year but not more than five years	1,925	1,925
After five years	7,865	7,865
	<u>10,309</u>	<u>10,309</u>

## 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ending 31 December 2012 *(Continued)*

### 12 Members capital

Members;	2012 £'000	2011 £'000
CPPIB Gresham Street Unit Trust	7	7
Hammerson Gresham Street Unit Trust	3	3
	<u>10</u>	<u>10</u>

The Members capital contribution is in proportion to each Member's interest. Under the Limited Liability Partnership Agreement no further capital is required to be injected and no interest is payable on this capital.

The Designated Members of 10 Gresham Street LLP are Prima Harta (Jersey) Ltd, TMF Channel Islands Limited and TMF Charitable Trustee Limited, or any permitted successors in title to their respective Partnership Interests.

### 13 Cash generated from operating activities

	2012 £'000	2011 £'000
Operating profit before income tax	10,130	10,927
Adjustments for		
Increase/(decrease) in trade and other receivables	2,739	(1,628)
(Decrease)/increase in trade and other payables	<u>(156)</u>	<u>345</u>
Net cash generated from operations	<u>12,713</u>	<u>9,644</u>

## 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ending to 31 December 2012 (*Continued*)

### 14 Distributions

The distributions paid in the period were £10,341,000 (2011: £10,100,000)

The LLP paid a distribution in the sum of £2,614,034 on 3 January 2012

### 15 Explanation of the transition to IFRS

For all periods up to and including the year ended 31 December 2011, the LLP prepared financial statements in accordance with UK generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2012, are the first the LLP have prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The LLP have prepared financial statements which comply with IFRS as described in the accounting policies. In preparing these financial statements, the LLP's opening balance sheets were prepared as at 1 January 2010, the LLP's date of transition to IFRS. This note explains the principal adjustments made by the LLP in restating its UK GAAP balance sheet as at 1 January 2010 and its previously published UK GAAP financial statements for the year ended 31 December 2010.

Whilst the financial position of the LLP under IFRS has not changed from that previously reported at 31 December 2011 the following presentation and classification adjustments have resulted from the transition to IFRS.

#### Reconciliation of comprehensive income for the year ended 31 December 2011

	Note	Previous GAAP £'000	Effect of Transition of IFRS £'000	IFRSs £'000
Gross rental income		11,517		11,517
Service charge income	1		2,275	2,275
Service charge expense			(2,275)	(2,275)
Net rental income		11,517		11,517
Property & Admin expenses	2	(1,136)	546	(590)
Results from operating activities		<u>10,381</u>	546	<u>10,927</u>
Finance expense		(9)	(546)	(555)
Changes of fair values in investments properties	3		13,900	13,900
Profit for the year		<u>10,372</u>	13,900	<u>24,272</u>

## **10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP**

**Notes forming part of the financial statements for the year ending 31 December 2012 *(Continued)***

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### **16 Controlling party**

During the year, LLP's ultimate controlling party changed from Hammerson Plc and Canada Pension Plan to Kumpulan Wang Persaraan Diperbadankan, Level 8, Menara, Yayasan Tun Razak, 200, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia

# 10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ending 31 December 2012 *(Continued)*

## Reconciliation of statement of financial position as at 31 December 2011

Investment properties	4	194,750	10,309	205,059
Trade and other receivables		2,990		2,990
Cash and cash equivalents		1,918		1,918
Total assets		<u>199,658</u>	10,309	<u>209,967</u>
Members Equity				
Members' capital		10		10
Members loans		183,290		183,290
Revaluation Reserves		11,604		11,604
Income account		765		765
Total members equity		<u>195,669</u>		<u>195,669</u>
Liabilities				
Non current liabilities				
Obligation under finance lease	4	0	10,309	10,309
Current liabilities				
Trade and other payables		3,989	0	3,989
Total members' equity and liabilities		<u>199,658</u>	10,309	<u>209,967</u>

The principal differences arise from the recognition of changes in fair value of investment properties in the Statement of comprehensive income in accordance with IAS40 and the recognition of finance lease obligations in accordance with IAS39

## Notes

- 1 Under UK GAAP service charge income and expenditure is not disclosed in the statement of comprehensive income whereas it is a requirement to show both income and expense under IFRS.
- 2 The cost of the finance lease was included within the property and administration fees under UK GAAP whereas under IFRS this is shown separately under finance expense
- 3 Under UK GAAP changes in fair value were only shown directly within reserves Under IFRS these changes are shown in both the statement of comprehensive income and flow through to reserves
- 4 Under UK GAAP the land lease is accounted for as an operating lease however in accordance with IFRS this has been classified as a finance lease The asset has therefore been capitalised within the fair value of the property and a finance lease liability has been recognised Finance charges relating to the lease are allocated in accordance to note 2