

10 Gresham Street Limited Liability Partnership

Annual Report and Financial Statements

For the Year Ended 31 December 2014

Partnership registration OC356762

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10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Audited report and financial statements for the year ended 31 December 2014

Contents

Officers and professional advisers

Page:

Report of the designated members	1-2
Statement of members' responsibilities	3
Independent Auditors Report	4-5
Statement of comprehensive income	6
Statement of changes in net assets attributable to members	7
Statement of financial position	8
Statement of cash flows	9
Notes forming part of the financial statements	10-28

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

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Independent Valuer

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Lawyers

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London Bridge
London
EC4R 9HA

Auditors

KPMG Channel Islands Limited
37 Esplanade
St Helier
Jersey
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10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Report of the Designated Members for the year ended 31 December 2014

The Designated Members submit their report and the financial statements for 10 Gresham Street Limited Liability Partnership (the “LLP”) for the year ended 31 December 2014.

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 LLP relate to tenant exposure and the strength of the UK property market. The LLP’s investment is exposed to the general performance and trends of the property market which may have a direct impact on the investment property valuation and future rental income through rent reviews and vacancies. The key areas of estimation over the investment property valuation are disclosed in note 9. The property is currently fully tenanted. Tenants’ covenants are monitored at the start of leasing agreements and on an ongoing basis and collection performance is closely monitored. The Property Asset Manager is responsible for providing the Designated Members a quarterly review of market trends, the Property Asset Managers outlook and an analysis of the properties performance over the period. The Designated Members consider the information provided by the Property Asset Manager when assessing the performance of the LLP.

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.

Results and Distribution

The Comprehensive Income for the year was £16,586,000 before Members’ interests (31 December 2013 £16,719,000). Distributions of £5,300,000 were declared during the financial year (31 December 2013 £10,964,034), of which none remained payable as at 31 December 2014.

Auditors

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 ended 31 December 2014

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


Director

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Statement of members' responsibilities

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 and adopted by the EU. 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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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 LLP") for the year ended 31 December 2014 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 as adopted by the EU.

This report is made solely to the LLP's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audits) (Application of 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 LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of designated members 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 LLP's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the designated member; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Designated Members to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 LLP's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; 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.

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 LLP; or
- the LLP's financial statements are not in agreement with the accounting records; 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, Statutory Auditor
Chartered Accountants

13 February 2015

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Statement of comprehensive income for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Income			
Rental income	5	11,055	11,240
Other income		265	-
Service charge income		2,625	2,200
Service charge expense		(2,625)	(2,200)
Net rental income		11,320	11,240
Administrative expenses	6	(1,159)	(1,086)
Operating profit		10,161	10,154
Finance expense	13	(3,246)	(542)
Change in fair value of interest rate swaps	14	(4,716)	-
Changes in fair value of investment properties	9	14,387	7,107
Profit and total comprehensive income for the year		16,586	16,719

There are no other items of other comprehensive income. 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 2014

	Members capital £'000	Members Loans £'000	Revaluation Reserve £'000	Income Account £'000	Total £'000
Balance at 31 December 2012	10	183,290	16,854	10	200,164
Total comprehensive income for the year	-	-	-	16,719	16,719
Income distribution paid	-	-	-	(10,964)	(10,964)
Transfer to revaluation reserve	-	-	7,107	(7,107)	-
Balance at 31 December 2013	10	183,290	23,961	(1,342)	205,919
Total comprehensive income for the year	-	-	-	16,586	16,586
Income distribution paid	-	-	-	(5,300)	(5,300)
Change in members loans		(117,135)			(117,135)
Transfer to revaluation reserve	-	-	14,387	(14,387)	-
Change in fair value of financial instrument	-	-	(4,716)	4,716	-
Balance at 31 December 2014	10	66,155	33,632	273	100,070

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 2014

	Note	2014 £'000	2013 £'000
Assets:			
Non-current assets			
Investment property	9	<u>231,803</u>	<u>217,416</u>
		231,803	217,416
Current assets			
Trade and other receivables	10	846	728
Cash and cash equivalents	11	<u>5,602</u>	<u>3,197</u>
		6,448	3,925
Total assets		<u>238,251</u>	<u>221,341</u>
Members' Equity and liabilities:			
Members' Equity			
Members capital	16	10	10
Members loans		66,155	183,290
Revaluation reserve		33,632	23,961
Income account		<u>273</u>	<u>(1,342)</u>
Total members' equity		100,070	205,919
Liabilities			
Non-current liabilities			
Obligation under finance lease	15	10,309	10,309
Borrowings	13	118,366	-
Current liabilities			
Derivative financial instruments	14	4,716	
Trade and other payables	12	<u>4,790</u>	<u>5,113</u>
Total liabilities		<u>138,181</u>	<u>15,422</u>
Total members' equity and liabilities		<u>238,251</u>	<u>221,341</u>

The Designated Members in accordance with the Limited Liability Partnership Agreement approved the financial statements on pages 6 to 28 and authorised them for issue on 13 February 2015

Signed on behalf of the Designated Members.


Director


Director

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 2014

	Note	Year Ended 31 December 2014		Year Ended 31 December 2013	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	17		9,720		8,957
Cashflows from financing activities					
Finance costs (paid)		(4,880)		(542)	
Bank borrowings		120,000			
Equity repaid to members		(117,135)			
Income distribution paid to Members		<u>(5,300)</u>		<u>(8,964)</u>	
			<u>(7,315)</u>		<u>(9,506)</u>
Net increase/(decrease) in cash and cash equivalents			2,405		(549)
Cash and cash equivalents at 1 January			<u>3,197</u>		<u>3,746</u>
Cash and cash equivalents at 31 December			<u>5,602</u>		<u>3,197</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 ended 31 December 2014

1 Accounting policies

General information

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

The registered office of the LLP is Third Floor, One New Change, London, EC4M 9AF.

Basis of preparation

The financial statements are prepared on the historical cost basis except for investment property which has been measured at fair value.

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 and those parts of the Companies Act 2006 applicable to limited liability partnerships reporting under IFRS.

Amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect 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.

During the year the Group took on external debt amounting to £120,000,000, however this debt is not due to be repaid within the next 12 months and cash flows will support the interest incurred on the debt. 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.

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the LLP operates (the ‘functional currency’). The financial statements are presented in pounds sterling, which is the LLP’s functional currency.

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

1 Accounting policies (*continued*)

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 as the Designated Members consider that the LLP acts as principal in this respect.

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 finance lease, the liability to the lessor is included in the statement of financial position as a finance lease obligation, which is measured at the present value of minimum lease payments. A corresponding adjustment to the carrying value of the assets held under the finance lease is made such that considered together, the asset and the liability reflect a net measurement value equivalent to that of an analogous asset (e.g. investment property – at fair value; property, plant and equipment – costs less accumulated depreciation and accumulated impairment losses).

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 finance expenses.

The corresponding movement in the adjustment to the carrying value of the asset passes through the fair value movements line in the income statement.

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

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 Liability 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.

Other receivables

Other receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or service received, whether billed by the supplier or not.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank including deposits with an original maturity of three months or less.

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

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 at 31 December 2014 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.

The fair value of the investment property is based on recognised valuation methodologies which may reflect, among other things, recent market transactions, 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. The assessed fair value is adjusted for lease incentives and head lease obligations which 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 LLP 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.

The LLP has entered into commercial property leases on its investment property as lessor. The LLP has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the property and so accounts for these leases as operating leases.

This treatment, as regards the LLP's investment property, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, this property is not held for consumption but for investment and the designated members 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.

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of retirement or disposal.

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

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 LLP 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.

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.

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ended 31 December 2014 *(Continued)*

1 Accounting policies *(continued)*

Members capital

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

Member loans to the LLP 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 LLP are paid in proportion to the Members loans and Members capital.

Adoption of new and revised IFRSs

All relevant new standards, amendments and interpretation which have become effective during the year have been adopted in the preparation of these financial statements. However, none of these standards, amendments and interpretations have had a material impact on the LLP's accounting policies and disclosures.

New standards, amendments to and interpretations of existing standards that are not yet effective and have not been adopted by the LLP early

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. The Members expect that the adoption of these financial reporting standards in future years will not have a material effect on the financial statements of the LLP, except for:

- IFRS 9 Financial Instruments, effective date 1 January 2018, is expected to impact the classification and measurement of financial assets. The extent of the impact has not yet been determined.

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

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, bank borrowing, interest rate swap derivatives, 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:-

	2014 £'000	2013 £'000
Trade and other receivables		
Other debtors	846	728
Cash and cash equivalents	5,602	3,197

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

The fair value of cash and cash equivalents at 31 December 2014 approximates the carrying value. Further details regarding cash and cash equivalents can be found in note 11. 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 ended 31 December 2014 (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 of cash and other debtors, 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 default risk of tenants at the 10 Gresham Street property, from which rental income is derived, have 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.

	2014 £'000	2013 £'000
Financial assets – due within one year		
Trade and other receivables – maturity within one year	846	728
Cash and cash equivalents – maturity within one year	5,602	3,197
	<u>6,448</u>	<u>3,925</u>
Financial liabilities – due after more than one year		
Bank borrowings	118,366	-
Finance lease	10,309	10,309
	<u>128,675</u>	<u>10,309</u>
Financial liabilities – due within one year		
Trade and other payables – maturity within one year	4,790	5,113
Derivative instruments	4,716	-
	<u>9,506</u>	<u>5,113</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.

Following the refinancing during the year the LLP's liabilities now outweigh its current assets. However the members are comfortable with this due to the level of debt being significantly lower than the value of the property as at 31 December 2014 representing an LTV of 54%.

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

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 and market risk with respect to financial instruments.

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 9 and the entity is exposed directly to these assumptions used.

b) Cash flow and fair value interest rate risk

As at 31 December 2014, the LLP has no significant interest-bearing assets, its income and operating cash flows are substantially independent of market interest rate changes. The LLP's interest rate risk arises from long term borrowings. Borrowings issued at various rates expose the LLP to cash flow interest rate risk (see note 13).

The LLP has entered into interest rate swaps with the purpose of hedging interest rate risk exposure. Accordingly a sensitivity analysis has been prepared. The following table illustrates the sensitivity of valuation to a possible interest rate movement of +0.5% / -0.5 %. There were no swaps in place during the prior year.

	Equity +0.5%	Equity -0.5%
31 December 2014	2,621,174	(2,621,174)
31 December 2013		

The Group's cash flow and interest rate risk is monitored by management on a quarterly basis.

Trade and other receivables and payables are interest-free and have settlement dates within one year.

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 ended 31 December 2014 *(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

	Loans and receivables measured at amortised cost		Financial liabilities measured at amortised cost	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Assets per statement of financial position				
Trade and other receivables	846	728	-	-
Cash and cash equivalents	5,602	3,197	-	-
Liabilities per statement of financial position				
Bank borrowings			118,366	-
Derivative instruments			4,716	-
Trade and other payables	-	-	4,790	5,113
Finance lease	-	-	10,309	10,309
	6,448	3,925	138,181	15,422

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

3 Segmental analysis

The LLP's operations are carried out solely in the UK. The results and net assets of the LLP 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 fair value of investment property is determined by an independent real estate valuation expert using recognised valuation techniques. The Members employed professional valuers Knight Frank LLP to perform a valuation of the investment property using Royal Institute of Chartered Surveyors ("RICS") valuation standards. In arriving at their estimates of market values as at 31 December 2014 and 31 December 2013, the valuers used their market knowledge and professional judgement and did not rely solely on comparable historic transactions. 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 9.

Fair value of interest rate derivatives

The fair values of interest rate swaps have been calculated and provided by the relevant counterparty banks using recognised valuation techniques. The significant methods and assumptions used by the counterparties in calculating the fair values are set out in note 14.

Measurement of fair values

When measuring the fair value of an asset or a liability, the LLP uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ended 31 December 2014 *(Continued)*

5	Rental income	2014 £'000	2013 £'000
	10 Gresham Street	<u>11,055</u>	<u>11,240</u>
6	Administrative expenses	2014 £'000	2013 £'000
	Rents payable and other property outgoings	34	47
	Management fees	1,110	1,025
	Valuation fees	5	5
	Audit fees	<u>10</u>	<u>9</u>
		<u>1,159</u>	<u>1,086</u>

7 Employees

The LLP has no employees.

8 Operating Lease – The LLP as Lessor

The LLP has entered into leases on its investment property. The rental agreements include clauses to enable periodic upward revision of the rental charges according to the prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2014 £'000	2013 £'000
Within 1 year	10,902	10,152
After 1 year, but not more than 5 years	44,236	43,899
More than 5 years	<u>34,242</u>	<u>44,915</u>
	<u>89,380</u>	<u>98,966</u>

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

9 Investment property

	2014 £'000	2013 £'000
At start of year	217,416	210,309
Change in fair value	<u>14,387</u>	<u>7,107</u>
Balance at end of year	<u>231,803</u>	<u>217,416</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:

	2014 £'000	2013 £'000
Appraised Value	222,000	207,500
Lease Incentive	(506)	(393)
Valuation of assets held under finance leases	<u>10,309</u>	<u>10,309</u>
Balance at end of year	<u>231,803</u>	<u>217,416</u>

The lease incentives relating to rent free periods of £505,918 (2013: £392,625) as at 31 December 2014 have been netted against the fair value of the property to avoid double counting.

Measurement of fair value

The fair value of investment property was determined as at 31 December 2014 by external, independent property valuers, Knight Frank LLP, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of this property on an annual basis.

The valuers reports are based on:

- information provided by the LLP, such as current rents, terms and conditions of lease agreements, service charges, and capital expenditure. This information is derived from reports provided by the LLP's property manager; and
- assumptions and valuation models used by the valuers. The assumptions are typically market related, as outlined below. The selection of market related assumptions are based on the valuers professional judgment and market observations.

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

9 Investment property (*continued*)

The information provided to the valuers, and the assumptions and the valuation models used by the valuers, are reviewed by the property manager and the Designated Members. This includes a review of fair value movements over the period.

When the Designated Members consider that the valuation report is appropriate, the resulting valuation is adopted as the investment property's fair value in the financial statements.

The fair value measurement for investment property of £222 million has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 4). The valuation method used reflects the yield methodology using market rental values capitalised with a capitalisation rate based on available market transaction data.

The valuation is based on a net initial yield of 4.64% (2013: 4.95%), a nominal equivalent yield of 4.78% (2013: 5.06%) and market value per sq ft of £848 (2013: £798). Other assumptions, used in both the 2013 and 2014 valuations, include a purchasers' costs assumption of 3.2%, comprising stamp duty land tax of 2% and other costs of 1.2%.

The relationship between the significant unobservable inputs used and the fair value measurement of the investment property is as follows:

- A decrease in the estimated annual rent, including the effect of voids and rent free periods, will decrease the fair value; and
- An increase in the initial yield or discount rate will decrease the fair value.

The above assumptions are interrelated as they are partially determined by reference to a limited pool of observable market transaction data.

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ended 31 December 2014 (*Continued*)

10 Trade and other receivables

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Trade debtors	58	97
Trade debtors – lease incentives	506	393
Other debtors and prepayments	282	238
	<u>846</u>	<u>728</u>

The debtors are current and none are deemed to be uncollectable.

11 Cash and cash equivalents

	2014 £'000	2013 £'000
Cash held at bank and by property agent	5,602	3,197
	<u>5,602</u>	<u>3,197</u>

The above cash balance includes £2,208,008 held on a Debt Service Reserve Account (DSRA) upon which a balance at least equivalent to 3 month's loan interest and swap charges is maintained. At the year end the DSRA held an additional £1,150,508 relating to the unpaid loan interest for the quarters ending 17 September 2014 and 17 December 2014 at the request of the lending banks.

12 Trade and other payable

	2014 £'000	2013 £'000
Current liabilities:		
Trade and other payables		
Other creditors	545	2,507
Accruals and deferred income	4,245	2,606
	<u>4,790</u>	<u>5,113</u>

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ended 31 December 2014 (Continued)

13 Bank Borrowings

	2014 £'000	2013 £'000
Bank borrowing	120,000	-
Unamortised loan costs	(1,634)	-
	<u>118,366</u>	<u>-</u>

On 9 June 2014 10 Gresham Street LLP entered in to a Facility Agreement for £120,000,000 with a syndicate of banks namely, Australia and New Zealand Banking Group Limited (ANZ), DBS Bank Ltd, Scotia Bank Europe Plc, Mizuho Bank Ltd and United Overseas Bank Limited ("the syndicate").

The Group entered into the Facility Agreement exclusively for the proportional financing of the property held, with the issued units in the LLP and ultimately the property being the security for the facility.

Loan terms and financial covenant information

Terms	Loan to Value Covenant	Loan to value 31 Dec 2014	Interest rate cover Covenant	Interest rate cover 31 Dec 2014
Interest of LIBOR + 1.35% Repayment date: 7 June 2019	Max 65%	54%	130%	268%

The loan facility runs for a 5 year period, maturing on 7 June 2019, with repayment due in one single payment on that date.

Total cost of servicing these loans for the period ended 31 December 2014 was £2,288,435, with £1,315,311 accrued but unpaid as at 31 December 2014.

For the purposes of limiting interest rate exposure the Trust has entered into an interest rate swap with the following institutions:

Institution	Effective and Expiry dates	Notional Amount	Fixed Rate	Recurring Variable rate
ANZ	16 June 2014 7 June 2019	72,195,122	3.525%	LIBOR
DBS Bank Ltd	16 June 2014 7 June 2019	19,512,195	3.525%	LIBOR
Scotia Bank Europe Plc	16 June 2014 7 June 2019	16,097,561	3.525%	LIBOR
United Overseas Bank Limited	16 June 2014 7 June 2019	12,195,122	3.525%	LIBOR
		<u>120,000,000</u>		

Please refer to note 14 for further information relating to these interest rate swaps.

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ended 31 December 2014 (Continued)

14 Derivative financial instruments

	2014 £'000	2013 £'000
Interest rate swaps	<u>(4,716)</u>	<u>-</u>

The interest rate swaps are in relation to the loan amount borrowed from a syndicate of banks referred to in note 13 above.

The interest rate swaps are settled on a quarterly basis. The floating rate in the interest rate swaps is three months LIBOR. The difference between fixed and floating interest rate is settled on a net basis. The swaps currently in place are due to be settled on 7 June 2019.

Payments to and receipts from the swap counterparty are recognised net in the statement of comprehensive income on an accruals basis under finance expense. The swap interest accruals are recognised on a net basis in the statement of financial position.

The fair value measurement for the interest rate swaps of (£4,716,447) has been categorised as level 2 fair value based on the inputs to the valuation technique used being observable (see note 4). As advised by the swap counterparty fair value was determined using discounted cash flow methods based on forward market rates of interest at close of business on 31 December 2014. Gains and losses are recognised in the statement of comprehensive income.

15 Obligations under finance leases

The investment property headlease includes terms of renewal but no purchase options and escalation clauses, the lease is due to expire in 2164. Renewals are at the option of the lessee. Future minimum lease payments under the finance lease are as follows:

	2014 £'000	2013 £'000
Future minimum payments due:		
Not later than one year	547	547
After one year but not more than five years	2,186	2,186
After five years	<u>78,841</u>	<u>79,387</u>
	81,574	82,120
Less: finance charges allocated to future periods	<u>(71,265)</u>	<u>(71,811)</u>
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:

	2014	2013
Not later than one year	519	519
After one year but not more than five years	1,925	1,925
After five years	<u>7,865</u>	<u>7,865</u>
	<u>10,309</u>	<u>10,309</u>

The amount recognised as an expense in the year in respect of contingent rental is nil (2013: £Nil).

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ended 31 December 2014 *(Continued)*

16 Members capital

	2014 £	2013 £
Members		
10 Gresham Street Unit Trust	9,997	9,997
Prima Harta Jersey Ltd	4	4
	<u>10,001</u>	<u>10,001</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.

17 Cash generated from operating activities

	2014 £'000	2013 £'000
Total comprehensive income for the year before income tax	16,586	16,719
Adjustments for:		
Unrealised net profit on fair value of investment property	(14,387)	(7,107)
Unrealised net loss on fair value of interest rate swap	4,716	-
Finance expense	3,246	542
(Increase)/decrease in trade and other receivables	(118)	(477)
(Decrease)/increase in trade and other payables	(323)	(720)
Net cash generated from operations	<u>9,720</u>	<u>8,957</u>

10 GRESHAM STREET LIMITED LIABILITY PARTNERSHIP

Notes forming part of the financial statements for the year ended to 31 December 2014 (*Continued*)

18 Distributions

The distributions payable in the period were £5,300,000 (2013: £10,964,034). As at the balance sheet date no distributions remained unpaid.

19 Controlling party

The LLP's ultimate controlling party is Kumpulan Wang Persaraan Diperbadankan, Level 8, Menara, Yayasan Tun Razak, 200, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia.

20 Related party transactions

As outlined in note 13 refinancing took place during the year which enabled the LLP to reduce the Members Loans.

21 Post balance sheet events

At the date of approval of these financial statements there were no significant post balance sheet events to note.