

waverton property llp
report and financial statements
year ended 5 April 2020

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COMPANIES HOUSE

Limited Liability Partnership Number OC371215

report and financial statements 2020

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members' report

year ended 5 April 2020

The members have pleasure in presenting their report and the financial statements of Waverton Property LLP for the year ended 5 April 2020.

activities

The principal activity of the partnership was the ongoing renovation of a modular data centre at Central Exchange in Birmingham, and the future exploitation thereof.

review of the period

The LLP's loss for the financial period was £18,965,962 (2019 - £487,559).

The primary component of the loss for the year is write down in the potential value of the property, consistent with current valuation advice. During the year, the LLP's tenant has been unable to secure necessary working capital to sustain itself, and therefore there is a material uncertainty as to whether the tenant will be able to continue to trade. The LLP's own profitability is dependent on receiving rental receipts from its tenant, which is now unlikely to arise. The LLP continues to review the position, in particular in the light of the Covid-19 pandemic, which has caused further uncertainty concerning the tenant's viability. The LLP is considering a range of options, including a disposal of the property.

designated members

The following members were designated members during the year:

Westgate Capital Limited

Tregunter Administrative Services Limited

future developments

In light of the position outlined above with the LLP's tenant, the LLP is reviewing its future plans. The agreement with the developer remains in place to enable the phase 2 works as previously, however, changes to the data centre market and to the tenant's financial circumstances, may mean that the phase 2 works are not viable. The LLP is reviewing its business plans given these particular circumstances and the wider market circumstances, including a possible disposal of the property.

allocation of profits, drawings and financing

In accordance with the Members' Agreement, profits earned on a periodic basis are allocated each year either to the Ordinary Members and/or the Corporate Member proportionately to the amount of their respective capital interests.

Following each year end date, the Designated Members shall assess the future working capital and other financial requirements of the LLP. Any surplus cash shall be distributed within a reasonable period thereafter. No Ordinary Member shall be entitled to any drawings until such time as the Corporate Member has repaid its loan. Designated Members are not entitled to a share of profits or drawings.

The operating cash requirements of the LLP shall be met out of Members' initial contributions, no Member shall be required to make any further funding available after his or her admission as a member.

auditors

During the period, Shipleys LLP were appointed as auditors. A resolution to reappoint Shipleys LLP will be proposed at the next members' meeting.

members' report

year ended 5 April 2020

statement of members' responsibilities

The members are responsible for preparing the financial statements and members' report in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Legislation applicable to limited liability partnerships requires the members to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing those financial statements, the members are required to:

- select suitable accounting policies, as described on pages 9 and 10, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and to enable them to ensure that the financial statements comply with the Companies Act 2006 as modified by the Limited Liability Partnership Regulations 2008. The members 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.

In so far as the members are aware:

- there is no relevant audit information of which the auditor is unaware, and
- the members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

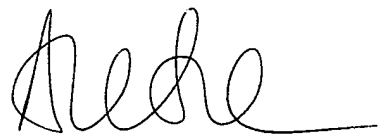
small llp provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 (as applied to limited liability partnerships by regulation 3 of the Limited Liability Partnerships Regulations 2008).

This report was approved by the Designated Members on 19th October 2020.



Tregunter Administrative Services Limited
Designated Member



Westgate Capital Limited
Designated Member

independent auditor's report to the members of waverton property llp

year ended 5 April 2020

qualified opinion on financial statements

We have audited the financial statements of Waverton Property LLP (the "LLP") for the year ended 5 April 2020 which comprise the balance sheet, the profit and loss account, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 Section 1A The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice Accounting by Limited Liability Partnerships issued in December 2018 (SORP)..

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraph, the financial statements:

- Give a true and fair view of the state of the limited liability partnership's affairs as at 5 April 2020 and of its loss for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- Have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

basis for disclaimer of opinion

The LLP holds investment property with a carrying value of £49.3m, which comprises an amount of £6.7m in respect of land and completed fit-out works, with the balance relating to works that have yet to be completed.

Due to the effects of the Covid-19 pandemic, and the resulting effect on property markets, we are unable to ascertain a fair value of the land and completed fit-out works. Consequently, we are unable to determine whether any adjustment to this amount was necessary.

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the LLP in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the LLP's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

independent auditor's report to the members of waverton property llp

(continued)

year ended 5 April 2020

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the fair value of some of the investment property held by the LLP. We have concluded where other information refers to the net assets or results of the LLP, it may be materially misstated for the same reason.

matters on which we are required to report by exception

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the LLP and its environment obtained in the course of the audit, we have not identified material misstatements in the members' report.

In respect solely of the limitation on our work related to the investment property, described above:

- We have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- We were unable to determine whether adequate accounting records had been kept.

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

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records or 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; or
- The members were not entitled to prepare financial statements in accordance with the small LLPs regime.

responsibilities of members

As explained more fully in the members' responsibilities statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

auditors' responsibilities for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

independent auditor's report to the members of waverton property llp

(continued)

year ended 5 April 2020

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 applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008 as amended by The Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2017. Our audit work has been undertaken so that we might state to the LLP's members those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members as a body, for our audit work, or the opinions we have formed.



Joseph Kinton (Senior Statutory Auditor)
For and on behalf of
Shipleys LLP
Chartered Accountants & Statutory Auditor
10 Orange Street
London WC2H 7DQ

profit and loss account
year ended 5 April 2020

	Notes	2020 £	2019 £
Turnover		55,670	77,425
Cost of sales		-	-
Gross Profit		55,670	77,425
Administrative Expenses		(18,596,661)	(140,047)
Operating (Loss)	1	(18,540,991)	(62,622)
Attributable to:			
Operating loss before exceptional items		(149,791)	(62,622)
Exceptional items		(18,391,200)	-
Interest Receivable and Similar Income		37	70
Interest Payable and Similar Charges		-	-
(Loss) for the financial period before members' remuneration and profit shares		(18,540,955)	(62,552)
Members' remuneration charged as an expense		(425,007)	(425,007)
(Loss) for the year available for discretionary division among members		(18,965,962)	(487,559)

The notes on pages 11 to 13 form part of these financial statements.

reconciliation of movements in members' funds

year ended 5 April 2020

	Members' capital (classified as equity)	Other reserves	Loans & other debtors due to members	2020 total	2019 total (restated)
	£	£	£	£	£
Members' interests at 6 April 2019	78,526,513	(15,496,602)	2,716,942	65,746,854	65,798,238
Members' remuneration charged as an expense, including employment and retirement benefit costs	-	-	425,007	425,007	425,007
(Loss) for the year available for discretionary division among members	-	(18,965,962)	-	(18,965,962)	(487,559)
Members' interests after loss for the year	78,526,513	(34,462,563)	3,141,949	47,205,899	65,735,686
Other division of profits	-	-	-	-	-
Introduced by members	-	-	-	-	11,168
Repayments of debt	-	-	-	-	-
Drawings	-	-	-	-	-
Amounts due to Members	-	-	3,598,704	-	-
Amounts due from Members	-	-	(456,755)	-	-
Members' Interests at 5 April 2020	78,526,513	(34,462,563)	3,141,949	47,205,899	65,746,854

The notes on pages 11 to 13 form part of these financial statements.

balance sheet
at 5 April 2020

	Notes	2020	2019 (restated)
		£	£
Non-Current Assets			
Tangible Fixed Assets	3	49,348,800	67,740,000
Investments	4	-	2
		<u>49,348,800</u>	<u>67,740,002</u>
Current Assets			
Debtors	5	480,029	495,675
Cash at Bank		198,424	331,974
		<u>678,453</u>	<u>827,649</u>
Creditors: Amounts falling due within 1 year	6	<u>(8,804)</u>	<u>(8,248)</u>
Net Current Assets		669,649	819,401
Provisions and other liabilities	7	<u>(2,355,795)</u>	<u>(2,355,795)</u>
Net Assets attributable to members		<u><u>47,662,654</u></u>	<u><u>66,203,608</u></u>
Represented by:			
Loans and other amounts due to members			
Other amounts		3,598,704	3,173,697
		<u>3,598,704</u>	<u>3,173,697</u>
Equity			
Members capital classified as equity		78,526,513	78,526,513
Other reserves		(34,462,563)	(15,496,602)
		<u>44,063,950</u>	<u>63,029,911</u>
		<u><u>47,662,654</u></u>	<u><u>66,203,608</u></u>
Total members' interests			
Amounts due to members		3,598,704	3,173,697
Amounts due from members		(456,755)	(456,755)
Members' other interests		44,063,950	63,029,911
		<u>47,205,899</u>	<u>65,746,853</u>

These financial statements have been prepared in accordance with the special provisions within Part 15 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 as modified by the Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016.

These financial statements were approved by the members on 19th October 2020 and are signed on their behalf by:

Tregunter Administrative Services Limited
Designated Member

Westgate Capital Limited
Designated Member

Registered Number OC371215

The notes on pages 11 to 13 form part of these financial statements.

accounting policies

year ended 5 April 2020

general information

Waverton Property LLP is a limited liability partnership incorporated in England and Wales, registered number OC371215. The registered office is 1st Floor, Sackville House, 143-149 Fenchurch Street, London EC3M 6BL.

basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102 section 1A'), Companies Act 2006 as applied by LLPs and the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, issued in January 2017.

The financial statements have been prepared on the historical cost basis except for the modification to the investment property as specified in the accounting policy below.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Waverton Property LLP had one subsidiary during the year, Waverton Property OpCo Limited, which was dissolved in October 2019. After the year end, the LLP acquired Tameside Developments Limited.

going concern

The LLP's loss for the financial period was £18,965,962 (2019: £487,559). Based on management projections, the LLP has adequate resources to continue in existence for the foreseeable future. Thus the Designated Members continue to adopt the going concern basis of accounting in preparing the financial statements.

DS Capital (Birmingham) Limited is the Corporate Member of the LLP. The company has entered into various loan facilities in order to finance its interest in the LLP. The loans are secured by legal charges dated 5 April 2013 granting a legal mortgage over the LLP's interest in the its property lease as well as a fixed charge over the business. The Corporate Member has been given notice that one of its lenders has breached terms of its own debt facilities, which in turn had been assigned the benefit of the Corporate Member's security package, as a result the Corporate Member is in technical breach under its own facility due to that third party default. After discussions with that ultimate lender, the Corporate Member is reviewing options for early repayment of part of its debt facilities, which may include a disposal of the LLP's property.

A disposal of the property itself does not directly impact on the going concern basis of the LLP.

consolidation

In the opinion of the Members, the LLP and its subsidiary undertaking comprise a small group. The LLP has therefore taken advantage of the exemption provided under Section 398 of the Companies Act 2006 as modified by the Limited Liability Partnership Regulations 2008 not to prepare group accounts. The financial statements present the results of the LLP parent only and do not show the results of the group.

cash flow statement

The partnership is exempt from the requirement to prepare a cash flow statement.

turnover

Turnover represents the income accruing during the period from exploitation of the partnership's property asset in the form of rent, excluding VAT. Turnover which has been recognised but not invoiced by the balance sheet date is included in debtors as accrued income. Amounts invoiced in advance are included in deferred income.

accounting policies

year ended 5 April 2020

investment properties

Under the requirements of FRS102, the LLP is required to assess the value of the investment property and, where possible, account for it at fair value through the profit and loss account. Due to the specialist nature of the LLP's property asset, the LLP has adopted an alternative method, using the provisions of section 17 FRS102 in determining value.

investments

Investments are held at cost less provision for diminution in value. An impairment review is carried out on an annual basis.

taxation

The taxation payable on the LLP's profits is a personal liability of the members during the year.

members' participation rights

Members' participation rights are the rights of a member against the LLP that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed, remuneration and profits).

Members' participation rights in the earnings or assets of the LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with FRS 25 (IAS32) Financial Instruments: Disclosure and Presentation and UITF abstract 39 Members' shares in co-operative entities and similar instruments. A member's participation right results in a liability unless the right to any payment is discretionary on the part of the LLP.

Amounts subscribed or otherwise contributed by members, for example members' capital, are classed as equity if the LLP has an unconditional right to refuse payment to members. If the LLP does not have an unconditional right, such amounts are classified as liabilities.

Where profits are automatically divided as they arise, so the LLP does not have an unconditional right to refuse payment, the amounts arising that are due to members are in the nature of liabilities. They are therefore treated as an expense in the Profit and Loss Account in the relevant year. To the extent that they remain unpaid at the year end, they are shown as liabilities in the Balance Sheet.

Conversely, where profits are divided only after a decision by the LLP or its representative, so that the LLP has an unconditional right to refuse payment, such profits are classed as an appropriation of equity rather than as an expense. They are therefore shown as a residual amount available for discretionary division among members in the Profit and Loss Account and are equity appropriations in the Balance Sheet.

Other amounts applied to members, for example remuneration paid under an employment contract and interest on capital balances, are treated in the same way as all other divisions of profits, as described above, according to whether the LLP has, in each case, an unconditional right to refuse payment.

All amounts due to members that are classified as liabilities are presented in the Balance Sheet within 'Loans and other debts due to'. Amounts due to members that are classified as equity are shown in the Balance Sheet within 'Members' other interests'.

financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the LLP after deducting all of its liabilities.

notes to the financial statements

year ended 5 April 2020

1 operating profit

Operating profit is stated after charging / (crediting):		2020	2019
		£	£
Auditors' remuneration:	- audit services	5,000	5,000
Exceptional Administration Expenses	- impairment charge	18,391,200	-

2 employee information

The LLP had no employees and no members received any salaried remuneration from the LLP during the period. The average number of members in the period was 1 (2019: 273).

	2020	2019
	£	£
The profit/(loss) attributable to the member with the largest entitlement to profit/(loss) was:	(18,965,962)	(487,559)

3 tangible fixed assets

	Investment property	Total
	£	£
Cost		
At 5 April 2019	74,064,253	74,064,253
Additions	-	-
At 5 April 2020	74,064,253	74,064,253
Impairment		
At 5 April 2019	(6,324,253)	(6,324,253)
Charge for the year	(18,391,200)	(18,391,200)
At 5 April 2020	(24,715,453)	(24,715,453)
Net Book Value		
At 5 April 2019	67,740,000	67,740,000
At 5 April 2020	49,348,800	49,348,800

The LLP has obtained a desktop valuation as at March 2020 indicating the fair value of the property asset to be £6.759m. In addition, at the year end the developer held cash of £42.590m; since the development agreement obligates the developer to undertake works with the cash, this is considered to fall within the fair value of the asset.

4 investments

	2020	2019
	£	£
Investment in subsidiary	-	2

The Company's subsidiary, Waverton Property OpCo Limited, was dissolved during the year.

notes to the financial statements

year ended 5 April 2020

5 debtors

	2020	2019
	£	£
Trade debtors	-	21,495
Amounts due from members	456,755	456,755
Taxation and Social Security	5,825	1,875
Prepayments and Accrued Income	17,447	15,550
	<u>480,029</u>	<u>495,675</u>

6 creditors: amounts falling due within one year

	2020	2019
	£	£
Trade Creditors	669	140
Accruals and deferred income	8,134	8,108
	<u>8,804</u>	<u>8,248</u>

Any loans and other debts due to members would rank after unsecured creditors in the event of a winding-up.

7 provisions and other liabilities

Waverton Property LLP has given security to Bank Winter & Co in respect of certain amounts payable in relation to the Corporate Member loan. The Developer (Tameside Developments Limited) has undertaken to meet this cost, however at the balance sheet date, it was considered probable that the developer cannot meet these obligations. The LLP has an ongoing provision for the best estimate of the likely obligation (£2,355,795). This liability is likely to be paid on the earlier of a refinancing of the loan and the disposal of the property.

	2020	2019
	£	£
Balance at 5th April	<u>2,355,795</u>	<u>2,355,795</u>

8 contingent liability

The LLP is contracted to pay an annual Management Fee of 2% of the Partnerships' net assets to Harcourt Capital LLP (subject to a floor of 2% of the original Property Expenditure) for ongoing services provided in the monitoring of the property. The liability associated with this fee has been assumed by the Developer (Tameside Developments Limited) whilst the Corporate Member debt is in place. The payment of this fee is contingent upon performance of the underlying data centre, allowing repayment of the associated bank debt thereby releasing security amounts to the Developer. As at the year end the conditions for payment of this fee have not yet been met and as such no amount has been recognised. It is anticipated that future performance will allow for the payment of this fee but this is not guaranteed or in the control of the Partnership.

9 members' interests

In March 2018, £500,000 was raised by way of a further debt facility from members. At the year end the total amount drawn was £2,051,379 (2019: 2,051,379). The debt has a repayment date of 31 December 2022 and carries an interest rate of 20% per annum (payable on repayment). Interest accrued, disclosed as members' remuneration charged as an expense, is £425,007 (2019: £425,007).

notes to the financial statements

year ended 5 April 2020

10 related party transactions

No related party transactions were undertaken during the period that are required to be disclosed under FRS 102 Section 1A.

11 controlling party

Waverton Property LLP is under the control of its members. Due to its economic interest in the partnership and the right of veto held by the Corporate Member, the partnership is considered to be a subsidiary of DS Capital (Birmingham) Limited, the immediate parent company incorporated in England and Wales. The ultimate parent entity is Harcourt Capital LLP, incorporated in England and Wales.

12 events after the end of the accounting period

On 28th April 2020, the LLP purchased the fully issued share capital of Tameside Developments Limited, the developer of the property asset, for the sum of £2.

Covid-19

The emergence of the Covid-19 crisis and the subsequent restrictions on movements imposed by the UK government in March 2020 continued to have a significant effect on the UK economy post year-end.

The Covid-19 pandemic has materially exacerbated the difficulties faced by the LLP's tenant in securing end users for the site as well as the tenant's ability to re-finance and service its own debt facilities. Covid-19 has therefore contributed to the resulting breaches in the both the tenant's debt facilities and also the resultant technical breaches in the Corporate Member debt facility. As a consequence of those debt breaches, the LLP is considering a disposal of the property in the subsequent period. Given the wider market uncertainty, it is not clear what impact there would be on the value of the property under any disposal, or indeed whether a disposal might be feasible in the immediate term.