

Limited Liability Partnership Registration No. SO302466 (Scotland)

**CITY PROPERTY GLASGOW (INVESTMENTS) LLP  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## LIMITED LIABILITY PARTNERSHIP INFORMATION

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**Designated members** City Property (Glasgow) LLP  
Glasgow City Council

**Limited liability partnership number** SO302466

**Registered office** Exchange House  
229 George Street  
Glasgow  
G1 1QU

**Auditors** Wylie & Bisset LLP  
168 Bath Street  
Glasgow  
G2 4TP

**Bankers** Barclays Bank PLC  
Aurora Building  
1st Floor  
120 Bothwell Street  
GLASGOW  
G2 7JT

**Solicitors** Glasgow City Council  
City Chambers  
George Square  
Glasgow  
G2 1DU

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# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

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# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## MEMBERS' REPORT

**FOR THE YEAR ENDED 31 MARCH 2019**

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The members present their annual report and financial statements for the year ended 31 March 2019.

### **Principal activities**

The principal activity of City Property Glasgow (Investments) LLP (the "LLP") is the ownership and management of investment properties and the management of certain properties on behalf of Glasgow City Council ("GCC").

### **Designated members**

The designated members during the year and up to the date of signature of the financial statements were as follows:

City Property (Glasgow) LLP  
Glasgow City Council

### **Governance**

The Governance arrangements are laid out in the LLP's Partnership agreement. Glasgow City Council appoints five elected members to serve and they, together with the Managing Director of the LLP and the Director of Property and Land Services of Glasgow City Council, form the advisory board.

Board meetings are held on a regular basis, on dates agreed up to a year in advance. Four Board meetings were held in the year under review. The Board has a subcommittee for Audit which met on two occasions during the year.

The LLP reports on its activities both to the Council's Operational Performance & Delivery Scrutiny Committee and Finance and Audit Scrutiny Committee. In addition to having external auditors, the LLP has an arrangement with the Council's internal audit department for it to undertake periodic reviews of the LLP's operating systems and controls.

### **The Board**

The membership of the board during the year was as follows:

Councillor Angus Millar	Chair
Councillor Richard Bell	
Councillor Tony Curtis	
Bailie Norman MacLeod	
Bailie Jacqueline McLaren	
Pauline Barclay	Managing Director
Ian Robertson	Director of Property & Land Services - Glasgow City Council

# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## MEMBERS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2019**

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### **Review of Business**

In an innovative finance deal, the LLP purchased an extensive investment property portfolio from Glasgow City Council on 29 March 2010 for £120m. On the same date the LLP undertook bank borrowings to facilitate the acquisition.

The portfolio consists of over 1,600 industrial, commercial, retail and office premises, rented to a range of tenants from sole traders to multi-national organisations on a mix of long and short term tenancy agreements. The LLP has engaged a third party property management company to undertake agency and professional services in relation to this portfolio.

In addition to owning and managing the investment portfolio, the LLP provides management services for the Council's Common Good land and property and management of the wholesale markets at Blochairn.

The current economic climate remains challenging, however, the diversity of the portfolio and client base has, to some degree, given the LLP a buffer from any downturn in the property market.

A major fire occurred at the wholesale market at Blochairn in August 2017, which destroyed one third of the trading stances. Work is ongoing to reinstate, upgrade and reconfigure the Market buildings to enhance and future proof operations.

In March 2018 the LLP disposed of the heritable title to 177 Bothwell Street (Phase 2) for £10.7m. This had a significant impact on the Statement of Comprehensive Income and Cash at Bank balances at the year end.

In March 2019 the LLP purchased the former Nye Bevan House site in India Street for £4.25m. This significant strategic purchase was funded using the proceeds from last year's Bothwell Street disposal.

### **Financial Performance**

The financial results of the LLP are set out in the attached financial statements.

The LLP has produced a profit available to Members of £7,560,585 from which a distribution was made to Members of £3,273,051. The balance generated through this profit was used to repay the capital element of the bank borrowings.

The LLP has met all of the bank loan repayments on time and in full. In addition, as required by the loan agreement, the LLP has laid aside cash as Debt Service Reserve and Maintenance Reserve.

The Members consider the result to be satisfactory.

### **Transactions with Members**

The Members participate fully in the LLP's profit or loss, share the risks and subscribe to the LLP's capital.

The LLP provides services to and receives services from Glasgow City Council and Council family organisations.

City Property (Glasgow) LLP employs the staff who work for City Property Glasgow (Investments) LLP and recharges the cost. These transactions are carried out on an arms length basis.

### **Profit sharing arrangements**

The Members share profits or losses in the same ratio as their ownership.

# **CITY PROPERTY GLASGOW (INVESTMENTS) LLP**

## **MEMBERS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 MARCH 2019***

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### **Statement of disclosure to auditor**

Each of the members in office at the date of approval of this annual report confirms that:

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

Approved by the members on 26 June 2019 and signed on behalf by:

**Pauline Barclay**  
City Property (Glasgow) LLP  
**Designated Member**

# **CITY PROPERTY GLASGOW (INVESTMENTS) LLP**

## **MEMBERS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 MARCH 2019***

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

Company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing these financial statements, the 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership will continue in business.

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

# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF CITY PROPERTY GLASGOW (INVESTMENTS) LLP

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#### Opinion

We have audited the financial statements of City Property Glasgow (Investments) LLP (the 'limited liability partnership') for the year ended 31 March 2019 which comprise the statement of comprehensive income, the balance sheet, the reconciliation of members' interests, the statement of cash flows and 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, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 limited liability partnership 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 limited liability partnership'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 members are responsible for the other information. The other information comprises the information included in the members' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

We have nothing to report in this regard.



# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF CITY PROPERTY GLASGOW (INVESTMENTS) LLP

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#### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

#### **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 limited liability partnership'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 limited liability partnership or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an 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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Ross McLauchlan BAcc CA (Senior Statutory Auditor)**  
for and on behalf of Wylie & Bisset LLP

**Chartered Accountants**  
**Statutory Auditor**

168 Bath Street  
Glasgow  
G2 4TP

# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

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	Notes	2019 £	2018 £
Turnover	3	21,935,002	22,484,707
Cost of sales		(2,041,860)	(2,202,861)
<b>Gross profit</b>		<u>19,893,142</u>	<u>20,281,846</u>
Administrative expenses		(7,831,491)	(7,119,684)
<b>Operating profit</b>	4	<u>12,061,651</u>	<u>13,162,162</u>
Interest receivable and similar income	7	84,512	41,788
Interest payable and similar expenses	8	(4,585,578)	(4,843,432)
Increase in fair value of investment property	9	8,615,774	21,746,342
<b>Profit for the financial year before members' remuneration and profit shares</b>		<u><u>16,176,359</u></u>	<u><u>30,106,860</u></u>
Members' remuneration charged as an expense	6	-	-
<b>Profit for the financial year available for discretionary division among members</b>		<u>16,176,359</u>	<u>30,106,860</u>
<b>Total comprehensive income for the year</b>		<u><u>16,176,359</u></u>	<u><u>30,106,860</u></u>

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019		2018	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	10		63,680		127,360
Investment properties	11		195,012,549		181,257,687
			<u>195,076,229</u>		<u>181,385,047</u>
<b>Current assets</b>					
Debtors	13	5,216,643		3,948,226	
Cash at bank and in hand		13,824,071		22,233,448	
		<u>19,040,714</u>		<u>26,181,674</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(11,437,611)</u>		<u>(12,110,433)</u>	
Net current assets			7,603,103		14,071,241
<b>Total assets less current liabilities</b>			<u>202,679,332</u>		<u>195,456,288</u>
<b>Creditors: amounts falling due after more than one year</b>	16		(74,815,019)		(80,495,283)
<b>Net assets attributable to members</b>			<u>127,864,313</u>		<u>114,961,005</u>
<b>Represented by:</b>					
<b>Loans and other debts due to members within one year</b>					
Amounts due in respect of profits			473,539		1,022,000
Other amounts			484,486		(682,000)
			<u>958,025</u>		<u>340,000</u>
<b>Members' other interests</b>					
Members' capital classified as equity			1,000		1,000
Non distributable reserve			82,376,744		73,760,970
Other reserves classified as equity			44,528,544		40,859,035
			<u>127,864,313</u>		<u>114,961,005</u>
<b>Total members' interests</b>			<u>127,864,313</u>		<u>114,961,005</u>
Amounts due from members			(473,539)		(1,022,000)
Loans and other debts due to members			958,025		340,000
Members' other interests			126,906,288		114,621,005
			<u>127,390,774</u>		<u>113,939,005</u>

# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## BALANCE SHEET (CONTINUED)

*AS AT 31 MARCH 2019*

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The financial statements were approved by the members and authorised for issue on 26 June 2019 and are signed on their behalf by:

Pauline Barclay  
City Property (Glasgow) LLP  
**Designated member**

Andrew Brooks  
City Property Glasgow (Investments) LLP

**Limited Liability Partnership Registration No. SO302466**

# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## RECONCILIATION OF MEMBERS' INTERESTS FOR THE YEAR ENDED 31 MARCH 2019

### Current financial year

	EQUITY					Total	TOTAL MEMBERS' INTERESTS Total 2019	
	Members' other interests			Total	Other amounts			Total
	Members' capital (classified as equity)	Revaluation reserve	Other reserves					
£	£	£	£	£	£	£		
Amount due to members					340,000			
Amount due from members					(1,022,000)			
Members' interests at 1 April 2018	1,000	73,760,970	40,859,035	114,621,005	(682,000)	(682,000)	113,939,005	
Profit for the financial year available for discretionary division among members	-	8,615,774	7,560,585	16,176,359	-	-	16,176,359	
Members' interests after profit for the year	1,000	82,376,744	48,419,620	130,797,364	(682,000)	(682,000)	130,115,364	
Other divisions of profits	-	-	(3,891,076)	(3,891,076)	1,166,486	1,166,486	(2,724,590)	
Members' interests at 31 March 2019	1,000	82,376,744	44,528,544	126,906,288	484,486	484,486	127,390,774	
Amounts due to members					958,025			
Amounts due from members, included in debtors					(473,539)			
					484,486			

# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## RECONCILIATION OF MEMBERS' INTERESTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

Prior financial year

	EQUITY					Total	TOTAL MEMBERS' INTERESTS Total 2018	
	Members' other interests			Total	Other amounts			Total
	Members' capital (classified as equity)	Revaluation reserve	Other reserves					
£	£	£	£	£	£	£		
Amount due to members					324,000			
Amount due from members					(1,027,806)			
Members' interests at 1 April 2017	1,000	52,014,628	35,723,552	87,739,180	(703,806)	(703,806)	87,035,374	
Profit for the financial year available for discretionary division among members	-	21,746,342	8,360,518	30,106,860	-	-	30,106,860	
Members' interests after profit for the year	1,000	73,760,970	44,084,070	117,846,040	(703,806)	(703,806)	117,142,234	
Other divisions of profits	-	-	(3,225,035)	(3,225,035)	21,806	21,806	(3,203,229)	
Members' interests at 31 March 2018	1,000	73,760,970	40,859,035	114,621,005	(682,000)	(682,000)	113,939,005	
Amounts due to members					340,000			
Amounts due from members, included in debtors					(1,022,000)			
					(682,000)			

# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

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	Notes	2019 £	£	2018 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	22	9,918,250		15,836,723	
Interest paid		(4,585,578)		(4,843,432)	
<b>Net cash inflow from operating activities</b>		<b>5,332,672</b>		<b>10,993,291</b>	
<b>Investing activities</b>					
Capital investment		(5,409,088)		(111,391)	
Proceeds on disposal of investment property		270,000		12,143,544	
Interest received		84,512		41,788	
<b>Net cash (used in)/generated from investing activities</b>		<b>(5,054,576)</b>		<b>12,073,941</b>	
<b>Financing activities</b>					
Capital introduced by members (classified as debt or equity)		1,166,486		21,806	
Payments to members that represent a return on amounts subscribed or otherwise contributed		(1,166,486)		(21,806)	
Members' dividend paid		(3,273,051)		(3,209,035)	
Repayment of bank loans		(5,414,422)		(5,156,568)	
<b>Net cash used in financing activities</b>		<b>(8,687,473)</b>		<b>(8,365,603)</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(8,409,377)</b>		<b>14,701,629</b>	
Cash and cash equivalents at beginning of year		22,233,448		7,531,819	
<b>Cash and cash equivalents at end of year</b>		<b>13,824,071</b>		<b>22,233,448</b>	

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# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 MARCH 2019**

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### **1 Accounting policies**

#### **Limited liability partnership information**

City Property Glasgow (Investments) LLP is a limited liability partnership incorporated in Scotland. The registered office is Exchange House, 229 George Street, Glasgow, G1 1QU.

The limited liability partnership's principal activities are disclosed in the Members' Report.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" issued in January 2017, together with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the limited liability partnership. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties at fair value. The principal accounting policies adopted are set out below.

#### **1.2 Going concern**

At the time of approving the financial statements, the members have a reasonable expectation that the limited liability partnership has adequate resources to continue in operational existence for the foreseeable future. Thus the members continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **1.3 Turnover**

Turnover represents the amounts recoverable for the services provided to clients, excluding value added tax, under contractual obligations which are performed gradually over time.

Fee income and charges represents fee income from Glasgow City Council based on a Service Agreement and ad hoc sales income generated from activities, such as car boot sales, net of VAT.

If, at the balance sheet date, completion of contractual obligations is dependent on external factors (and thus outside the control of the Limited Liability Partnership), then revenue is recognised only when the event occurs.



# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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### 1 Accounting policies

(Continued)

#### 1.4 Members' participating interests

Members' participation rights are the rights of a member against the LLP that arise under the members' agreement.

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 section 22 of FRS 102. A member's participation rights including amounts subscribed or otherwise contributed by members, for example members' capital, are classed as liabilities unless the LLP has an unconditional right to refuse payment to members, in which case they are classified as equity.

All amounts due to members that are classified as liabilities are presented within 'Loans and other debts due to members' and, where such an amount relates to current year profits, they are recognised within Members' remuneration charged as an expense in arriving at the relevant year's result. Undivided amounts that are classified as equity are shown within 'Members' other interests'. Amounts recoverable from members are presented as debtors and shown as amounts due from members within members' interests.

Once an unavoidable obligation has been created in favour of members through allocation of profits or other means, any undrawn profits remaining at the reporting date are shown as 'Loans and other debts due to members' to the extent they exceed debts due from a specific member.

#### 1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

IT Systems	20% straight line
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#### 1.6 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

#### 1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

#### 1.8 Financial instruments

The limited liability partnership has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the limited liability partnership's statement of financial position when the limited liability partnership becomes party to the contractual provisions of the instrument.

#### **Basic financial assets**

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at cost.

# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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### 1 Accounting policies

(Continued)

#### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the limited liability partnership transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the limited liability partnership's obligations expire or are discharged or cancelled.

### 1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 1 Accounting policies

(Continued)

#### 1.10 Retirement benefits and post retirement payments to members

Staff working for the LLP are actually employees of City Property (Glasgow) LLP and a charge is made for the use of their time. The charge covers all employment costs including pension and national insurance.

All existing and new members of staff have the option of joining the Strathclyde Pension Fund ('the Fund'). The Fund is a defined benefit pension scheme, providing benefits based on final pensionable pay, which is contracted out of the State Earnings-Related Pension Fund. Assets and liabilities of the Fund are held separately from those of the LLP. Fund assets are measured using market values. For quoted securities the current bid price is taken as market value. Fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability

The pension scheme surplus, to the extent it is recoverable, or deficit is recognised in full in City Property (Glasgow) LLP. The movement in the scheme surplus/deficit is split between operating charges and finance items; actuarial gains and losses are disclosed within the accounts of City Property (Glasgow) LLP. It is not possible to identify City Property Glasgow (Investments) LLPs share of the underlying assets and liabilities on a consistent and reasonable basis.

#### 1.11 Tax provisions

As a limited liability partnership, City Property Glasgow (Investments) LLP is not liable to tax in its own right. Instead, the members of the LLP are liable to tax on their own portion of the profits of the LLP. No provision is made in respect of taxation, nor is any amount retained from profits in order to fund taxation on behalf of the members.

### 2 Judgements and key sources of estimation uncertainty

In the application of the limited liability partnership's accounting policies, the members are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

### 3 Turnover

An analysis of the limited liability partnership's turnover is as follows:

	2019 £	2018 £
<b>Turnover</b>		
Rent, fees and service charges	21,935,002	22,484,707
	<u>                    </u>	<u>                    </u>
<b>Other significant revenue</b>		
Interest income	84,512	41,788
	<u>                    </u>	<u>                    </u>

# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 4 Operating profit

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	13,850	13,250
Depreciation of owned tangible fixed assets	63,680	63,680
	<u>63,680</u>	<u>63,680</u>

### 5 Employees

The average number of persons (excluding members) employed by the partnership during the year was:

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Core staff	45	53
	<u>45</u>	<u>53</u>

Their aggregate remuneration comprised:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,568,152	1,735,910
Social security costs	309,134	165,496
Pension costs	164,574	301,455
	<u>2,041,860</u>	<u>2,202,861</u>

The staff are employed by City Property (Glasgow) LLP, a sister organisation, and the relevant Pension disclosure is made in the financial statements of that entity.

Pauline Barclay, who is the managing director, and is also a member of the Board, received a salary and benefits for her role as Managing Director.

# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 6 Members' remuneration

	2019 Number	2018 Number
The average number of members during the year was	2	2
	<u>2</u>	<u>2</u>
	<b>2019</b> £	<b>2018</b> £
Profit attributable to the member with the highest entitlement	7,560,509	8,360,434
	<u>7,560,509</u>	<u>8,360,434</u>
Average members remuneration	3,780,293	4,180,259
	<u>3,780,293</u>	<u>4,180,259</u>

### 7 Interest receivable and similar income

	2019 £	2018 £
<b>Interest income</b>		
Interest on bank deposits	84,512	41,788
	<u>84,512</u>	<u>41,788</u>

### 8 Interest payable and similar expenses

	2019 £	2018 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	4,554,166	4,812,020
Release of cost of raising finance	31,412	31,412
	<u>4,585,578</u>	<u>4,843,432</u>

### 9 Changes in value of investments

	2019 £	2018 £
Increase in the fair value of investment properties	8,615,774	21,746,342
	<u>8,615,774</u>	<u>21,746,342</u>

# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 10 Tangible fixed assets

	IT Systems £
<b>Cost</b>	
At 1 April 2018 and 31 March 2019	318,400
<b>Depreciation and impairment</b>	
At 1 April 2018	191,040
Depreciation charged in the year	63,680
At 31 March 2019	254,720
<b>Carrying amount</b>	
At 31 March 2019	63,680
At 31 March 2018	127,360

### 11 Investment property

	2019 £
<b>Fair value</b>	
At 1 April 2018	181,257,687
Capital investment	5,409,088
Disposals	(270,000)
Increase in the fair value of investment properties	8,615,774
At 31 March 2019	195,012,549

Investment properties, the majority of which are freehold, were acquired on 29 March 2010 at a price considered by the Members to be open market value on an existing use basis. The fair value of the investment property has been arrived at on the basis of a valuation carried out at 31 March 2019 by RICS accredited registered valuers, who are not connected with the limited liability partnership. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

Investment properties are not depreciated.

### 12 Financial instruments

	2019 £	2018 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	4,252,998	3,948,226
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	86,252,630	89,804,823

# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 13 Debtors

	2019 £	2018 £
<b>Amounts falling due within one year:</b>		
Trade debtors	1,488,364	2,105,158
Amounts owed by group undertakings	83,850	26,000
Amounts due from members	473,539	1,022,000
Other debtors	3,170,890	795,068
	<u>5,216,643</u>	<u>3,948,226</u>

### 14 Loans and overdrafts

	2019 £	2018 £
Bank loans	<u>80,495,283</u>	<u>85,909,705</u>
Payable within one year	5,680,264	5,414,422
Payable after one year	<u>74,815,019</u>	<u>80,495,283</u>

The bank loan is secured by a floating charge over the LLPs assets. The repayment of the bank loan is guaranteed by Glasgow City Council which is the ultimate controlling party.

The bank loan is repayable by 31 March 2030. The interest rate on the loan is 5.4025%.

The bank loan is disclosed net of issue costs which in accordance with FRS 102 will be charged to the profit and loss over the life of the loan.

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

	Notes	2019 £	2018 £
Bank loans and overdrafts	14	5,680,264	5,414,422
Trade creditors		1,073,166	905,251
Amounts owed to group undertakings		517,440	1,000
Other taxation and social security		-	2,800,893
Other creditors		958,025	561,034
Accruals and deferred income		3,208,716	2,427,833
		<u>11,437,611</u>	<u>12,110,433</u>

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

	Notes	2019 £	2018 £
Bank loans and overdrafts	14	<u>74,815,019</u>	<u>80,495,283</u>

# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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### 17 Retirement benefit schemes

#### Defined contribution schemes

The limited liability partnership operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the limited liability partnership in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £164,574 (2018 - £301,455).

### 18 Loans and other debts due to members

	2019	2018
	£	£
<b>Analysis of loans</b>		
Amounts falling due within one year	958,025	340,000
	<u>958,025</u>	<u>340,000</u>

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

### 19 Operating lease commitments

At the reporting end date the limited liability partnership had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	2018
	£	£
Within one year	493,183	492,959
Between two and five years	1,468,126	1,531,734
In over five years	3,525,961	3,792,463
	<u>5,487,270</u>	<u>5,817,156</u>

### 20 Events after the reporting date

City Property Glasgow (Investments) LLP is in the process of refinancing and procuring further debt with a new funder. This will allow the existing loan to be terminated and provide funds for the purchase of three significant operational assets from Glasgow City Council, which will then be leased back to the Council. Since the year end the LLP has also purchased the Ingram Street Car Park from Glasgow City Council at a cost of £3.5m.

### 21 Ultimate controlling party

The LLP was controlled throughout the period by its Members. The Members are Glasgow City Council and City Property (Glasgow) LLP. The ultimate controlling party is Glasgow City Council as they own 99.999% of City Property (Glasgow) LLP: the other 0.001% is owned by GCC LLP Investments Limited who are ultimately 100% owned by Glasgow City Council.



# CITY PROPERTY GLASGOW (INVESTMENTS) LLP

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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22 Cash generated from operations	2019 £	2018 £
Profit for the year	16,176,359	30,106,860
Adjustments for:		
Finance costs recognised in profit or loss	4,585,578	4,843,432
Investment income recognised in profit or loss	(84,512)	(41,788)
Depreciation of tangible fixed assets	63,680	63,680
Increase in fair value of investment properties	(8,615,774)	(21,746,342)
Movements in working capital:		
(Increase)/decrease in debtors	(1,268,417)	118,309
(Decrease)/increase in creditors	(938,664)	2,492,572
<b>Cash generated from operations</b>	<u>9,918,250</u>	<u>15,836,723</u>