

Limited Liability Partnership Registration No. SO306277 (Scotland)

Orkney Research & Innovation Campus LLP

**Annual report and financial statements
for the period ended 31 March 2019**

Orkney Research & Innovation Campus LLP

Limited liability partnership information

Designated members	Highlands and Islands Enterprise Orkney Islands Council
Limited liability partnership number	SO306277
Registered office	c/o Orkney Islands Council School Place Kirkwall Orkney KW15 1NY
Independent auditor	Saffery Champness LLP Kintail House Beechwood Park Inverness IV2 3BW

Orkney Research & Innovation Campus LLP

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Orkney Research & Innovation Campus LLP

Members' report

For the period ended 31 March 2019

Orkney Research & Innovation Campus LLP was incorporated on 20 December 2017.

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

Principal activities

The principal activity of the limited liability partnership is the development and operation of a 3.75 acre campus intended to support the growth and expansion of research and innovation activity in Orkney's world-leading marine renewables, energy and low carbon sector.

Members' drawings, contributions and repayments

The members' drawing policy allows each member to draw a proportion of their profit share, subject to the cash requirements of the business.

A member's capital requirement is linked to their share of profit and the financing requirement of the limited liability partnership. There is no opportunity for appreciation of the capital subscribed. Just as incoming members introduce their capital at "par", so the retiring members are repaid their capital at "par".

Designated members

The designated members who held office during the period and up to the date of signature of the financial statements were as follows:

Highlands and Islands Enterprise	(Appointed 20 December 2017)
Orkney Islands Council	(Appointed 20 December 2017)

Auditor

Saffery Champness LLP were appointed as auditor to the limited liability partnership and in accordance with section 485 of the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008), a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

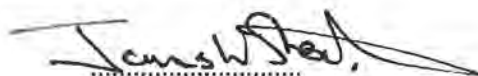
Each of the members in office at the date of approval of this annual report confirms that:

- 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 ~~21 AUGUST 2019~~ **29 AUGUST 2019** and signed on behalf by:



Highlands and Islands Enterprise
Designated Member
CAROLE BUXTON



Orkney Islands Council
Designated Member
JAMES STOCKAN

Orkney Research & Innovation Campus LLP

Members' responsibilities statement

For the period ended 31 March 2019

The members are responsible for preparing the members' 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 IFRSs as adopted by the European Union 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.

Orkney Research & Innovation Campus LLP

Independent auditor's report

To the members of Orkney Research & Innovation Campus LLP

Opinion

We have audited the financial statements of Orkney Research & Innovation Campus LLP (the 'limited liability partnership') for the period ended 31 March 2019 which comprise the Statement of comprehensive income, the Statement of financial position, 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

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.

Orkney Research & Innovation Campus LLP

Independent auditor's report (continued)

To the members of Orkney Research & Innovation Campus LLP

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.

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, set out on page 2, 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.

Orkney Research & Innovation Campus LLP

Independent auditor's report (continued)

To the members of Orkney Research & Innovation Campus LLP

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.

Use of our 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.

Saffery Champness LLP

**Eunice McAdam (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP**

13 September 2019

**Chartered Accountants
Statutory Auditors**

Kintail House
Beechwood Park
Inverness
IV2 3BW

Orkney Research & Innovation Campus LLP

Statement of comprehensive income
For the period ended 31 March 2019

	Notes	Period ended 31 March 2019 £
Turnover	3	153,769
Cost of sales		(60,951)
Gross profit		<u>92,818</u>
Administrative expenses		(46,716)
Loss on changes in fair value of investment property		(4,288,106)
Other operating income		785,534
Loss for the financial period before members' remuneration and profit shares		<u>(3,456,470)</u>
Loss for the financial period before members' remuneration and profit shares		(3,456,470)
Members' remuneration charged as an expense	6	-
Loss for the financial period available for discretionary division among members		<u>(3,456,470)</u>

The Income Statement has been prepared on the basis that all operations are continuing operations.

Orkney Research & Innovation Campus LLP

Statement of financial position
As at 31 March 2019

	Notes	£	2019 £
Fixed assets			
Investment properties	7		1,540,000
Current assets			
Debtors	9	629,264	
Cash at bank and in hand		199,037	
		<u>828,301</u>	
Creditors: amounts falling due within one year	10	<u>(1,484,771)</u>	
Net current liabilities			<u>(656,470)</u>
Total assets less current liabilities			<u>883,530</u>
Represented by:			
Members' other interests			
Members' capital classified as equity			4,340,000
Other reserves classified as equity			<u>(3,456,470)</u>
			<u>883,530</u>
Total members' interests			
Members' other interests			<u>883,530</u>

The financial statements were approved by the members and authorised for issue on ~~29 AUGUST 2019~~ and are signed on their behalf by:

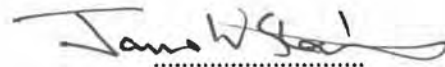


Highlands and Islands Enterprise

Designated member

CARROLL BUXTON

Limited Liability Partnership Registration No. SO306277



Orkney Islands Council

Designated Member

JAMES STOCKAN

Orkney Research & Innovation Campus LLP

**Reconciliation of members' interests
For the period ended 31 March 2019**

Current financial year

	Equity		Total
	Members' other interests		Members' interests
	Members' capital (classified as equity)	Other reserves	Total 2019
	£	£	£
Members' interests at 20 December 2017	-	-	-
Loss for the period available for discretionary division among members	-	(3,456,470)	(3,456,470)
Members' interests after loss for the period	-	(3,456,470)	(3,456,470)
Introduced by members	4,340,000	-	4,340,000
Members' interests at 31 March 2019	4,340,000	(3,456,470)	883,530

Orkney Research & Innovation Campus LLP

Statement of cash flows

For the period ended 31 March 2019

	Notes	£	2019 £
Cash flows from operating activities			
Cash generated from/(absorbed by) operations	12		1,687,143
Investing activities			
Purchase of investment property		(5,828,106)	
Net cash used in investing activities			(5,828,106)
Financing activities			
Capital introduced by members		4,340,000	
Net cash generated from/(used in) financing activities			4,340,000
Net increase in cash and cash equivalents			199,037
Cash and cash equivalents at beginning of period			-
Cash and cash equivalents at end of period			<u>199,037</u>

Orkney Research & Innovation Campus LLP

Notes to the financial statements For the period ended 31 March 2019

1 Accounting policies

Limited liability partnership information

Orkney Research & Innovation Campus LLP is a limited liability partnership incorporated in Scotland. The registered office is c/o Orkney Islands Council School Place, Kirkwall, Orkney, KW15 1NY.

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and Interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to LLP's reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act 2006 as applicable to LLPs.

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 under the historical cost convention, modified to include investment properties and certain financial instruments 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 Reporting period

The limited liability partnership was incorporated on 20 December 2017. The first set of financial statements are being produced up to a period end date of 31 March 2019. As these are the first set of financial statements no comparative figures are presented.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business.

Rental income from operating leases is recognised on a straight line basis over the lease term.

1 Accounting policies (continued)

1.5 Members' participating interests

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. 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.

1.6 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in profit or loss.

1.7 Cash at bank and in hand

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

1.8 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.

Financial assets

The LLP's financial assets, which include cash, trade debtors and other receivables are initially measured at fair value including transaction costs and are subsequently carried at amortised cost. Financial assets classified as receivable within one year are not amortised.

1 Accounting policies (continued)

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.

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.

Financial liabilities

Financial liabilities, including trade creditors and other payables are initially recognised at fair value. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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.

1.10 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1 Accounting policies (continued)

1.11 Adoption of new and revised standards and amendments

At the date of authorisation of these financial statements, the following Standards and Interpretations which have been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 16, Leases (effective 1 January 2019)
- IFRIC 23, Uncertainty over Income Tax Treatments (effective 1 January 2019)

The members do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the LLP in future periods.

2 Critical accounting 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.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities relate to the determination of fair value of the LLP's investment properties.

Investment properties are professionally valued annually using a yield methodology. This uses market rentals but there is an inherent degree of judgement involved in that each property/rental space is unique and value can only ultimately be reliably tested in the market itself.

Key inputs to the valuation include assumptions on the recovery of operating costs relating to shared areas and/or ability of this space to be let separately, and that all proposed lettings will conclude as planned.

Orkney Research & Innovation Campus LLP

Notes to the financial statements (continued)

For the period ended 31 March 2019

3 Turnover

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

2019
£

Turnover analysed by class of business

Rental income 153,769

2019

£

Other significant revenue

Grants received 785,534

2019

£

Turnover analysed by geographical market

United Kingdom 153,769

4 Operating loss

2019

Operating loss for the period is stated after charging/(crediting): **£**

Government grants (785,534)

Fees payable to the LLP's auditor for the audit of the LLP's financial statements 4,300

Loss on changes in fair value of Investment property 4,288,106

5 Employees

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

2019
Number

1

Orkney Research & Innovation Campus LLP

Notes to the financial statements (continued)

For the period ended 31 March 2019

5 Employees (continued)

Their aggregate remuneration comprised:

	2019 £
Wages and salaries	11,593
Pension costs	720
	<u>12,313</u>

6 Information in relation to members

	2019 Number
Average number of members during the period	<u>2</u>

7 Investment property

	2019 £
Fair value	
At 20 December 2017	-
Additions through external acquisition	5,828,106
Net gains or losses through fair value adjustments	(4,288,106)
	<u>1,540,000</u>
At 31 March 2019	<u>1,540,000</u>

Investment property comprises two properties in Stromness, Orkney. The fair value of the investment property has been arrived at on the basis of a valuation carried out at 31 March 2019 by Graham and Sibbald Chartered Surveyors, 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 rental income achievable. The rental income derived from investment properties is disclosed in note 3.

Orkney Research & Innovation Campus LLP

Notes to the financial statements (continued)

For the period ended 31 March 2019

8	Financial instruments	2019
		£
	Carrying amount of financial assets	
	Debt instruments measured at amortised cost	67,633
		<u>67,633</u>
	Carrying amount of financial liabilities	
	Measured at amortised cost	1,484,771
		<u>1,484,771</u>
9	Debtors	2019
		£
	Amounts falling due within one year:	
	Trade debtors	67,633
	Other debtors	545,151
	Prepayments and accrued income	16,480
		<u>629,264</u>
		<u>629,264</u>
10	Creditors: amounts falling due within one year	2019
		£
	Trade creditors	47,145
	Accruals and deferred income	1,437,626
		<u>1,484,771</u>
		<u>1,484,771</u>

11 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 £720.

Orkney Research & Innovation Campus LLP

Notes to the financial statements (continued)

For the period ended 31 March 2019

12 Cash generated from operations	2019
	£
Loss for the period	(3,456,470)
Adjustments for:	
Losses on fair value of investment properties	4,288,106
Movements in working capital:	
(Increase) in debtors	(84,113)
Increase in creditors	939,620
Cash generated from/(absorbed by) operations	1,687,143

Orkney Research & Innovation Campus LLP

**Management information
for the period ended 31 March 2019**

Orkney Research & Innovation Campus LLP

**Detailed trading and profit and loss account
For the period ended 31 March 2019**

		Period ended 31 March 2019
	£	£
Turnover		
Rental income		111,697
Costs recharged		42,072
		<hr/>
		153,769
Cost of sales		
Rates	4,623	
Cleaning	1,197	
Power, light and heat	32,299	
Premises insurance	19,632	
Decanted tenants	3,200	
	<hr/>	
		(60,951)
		<hr/>
Gross profit		92,818
Other operating income		
Government grants receivable and released	785,534	
	<hr/>	
		785,534
Administrative expenses		(46,716)
Decrease in fair value of investment property		(4,288,106)
		<hr/>
Operating loss		<u>(3,456,470)</u>

This page does not form part of the financial statements on which the auditors have reported.

Orkney Research & Innovation Campus LLP

**Schedule of administrative expenses
For the period ended 31 March 2019**

	Period ended 31 March 2019 £
Administrative expenses	
Wages and salaries	11,593
Staff pension costs defined contribution	720
Other staff costs	6,032
Rates	1,635
Property repairs and maintenance	932
Decanted tenants	1,986
Hire of equipment	25
Travelling expenses	674
Postage, courier and delivery charges	22
Legal and professional fees	75
Management charges and set up costs	17,791
Audit fees	4,300
Bank charges	82
Printing and stationery	3
Telecommunications	50
Entertaining	796
	<hr/>
	46,716 <hr/> <hr/>

This page does not form part of the financial statements on which the auditors have reported.