
SIR FITZWILLIAM LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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SIR FITZWILLIAM LIMITED

COMPANY INFORMATION

Directors	N M Leslau S L Gumm T J Evans P M Brown
Company secretary	S L Gumm
Registered number	6182061
Registered office	Cavendish House 18 Cavendish Square London W1G 0PJ
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU

SIR FITZWILLIAM LIMITED

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SIR FITZWILLIAM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Results and dividends

The profit for the year, after tax, amounted to £3.4 million (2015 - £4.4 million). The directors do not recommend the payment of a dividend (2015 - £NIL).

Business review

The Company is a subsidiary undertaking in the Secure Income REIT Plc ("SIR") group, holding one of SIR's healthcare investment properties in England. The investment property is leased to a tenant on a long term lease with an unexpired lease term of 20.4 years and passing rent of £2.4 million at 31 December 2016.

Net assets have increased in the year by £3.4 million (2015 - £4.4 million), which represents a £2.9 million (2015 - £3.6 million) increase in the valuation of the investment property to £44.3 million and a £0.6 million (2015 - £0.8 million) profit in the Company's property rental business.

The valuation gain reflects an increase in passing rent during the year, as a result of the fixed uplift of a minimum of 2.75% that occurs every May throughout the lease term, and a reduction in the external valuer's assessment of the net initial yield from 5.25% at 31 December 2015 to 5.0% at 31 December 2016. In addition, every five years commencing May 2017, the Company has the option to revise the rent to the higher of the indexed rent or amount calculated by the formula $0.885 \times 0.65 \times \text{'EBITDARH'}$, where EBITDARH is calculated as earnings before tax, depreciation, rent and head office costs. In subsequent five yearly reviews the rent is set to indexed rent or open market value at the Company's option.

The profit of £0.6 million on the Company's property rental business includes a £0.3 million incentive fee payable to the group's investment advisor, which is payable for the delivery of Total Shareholder Return (as defined in the Investment Advisory Agreement between group companies and the investment adviser) in excess of an agreed threshold. No such fee arose in 2015. Since the Company cannot register for VAT, any VAT that is charged on its costs is irrecoverable. A further £0.1 million irrecoverable VAT cost therefore arose on that incentive fee.

The Company is subject to the UK REIT regime and during the year all of its business represented qualifying REIT profits, so it was therefore not subject to UK corporation tax.

Directors

The directors who served during the year were:

N M Leslau
S L Gumm
T J Evans
P M Brown

Disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

SIR FITZWILLIAM LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Auditors

Under section 487(2) of the Companies Act 2006, BDO LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 27 April 2017 and signed on its behalf.



S.L. Gumm
Director

SIR FITZWILLIAM LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SIR FITZWILLIAM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SIR FITZWILLIAM LIMITED

We have audited the financial statements of SIR Fitzwilliam Limited for the year ended 31 December 2016, set out on pages 6 to 15. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 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.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and this report has been prepared in accordance with applicable legal requirements.

SIR FITZWILLIAM LIMITED


**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SIR FITZWILLIAM LIMITED
(CONTINUED)**

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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 and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies' exemption from the requirement to prepare a strategic report.

 **LLP**

Geraint Jones (Senior Statutory Auditor)

for and on behalf of

BDO LLP (statutory auditor)

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

55 Baker Street
London
W1U 7EU

27 April 2017

SIR FITZWILLIAM LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £000	2015 £000
Turnover	4	2,342	2,279
Cost of sales		(1)	(1)
GROSS PROFIT		2,341	2,278
Administrative expenses	5	(564)	(207)
Investment property revaluation	9	2,857	3,620
OPERATING PROFIT	6	4,634	5,691
Interest payable and similar charges	7	(1,200)	(1,291)
PROFIT BEFORE TAX		3,434	4,400
Tax on profit	8	-	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,434	4,400

The notes on pages 9 to 15 form part of these financial statements.

SIR FITZWILLIAM LIMITED
REGISTERED NUMBER: 6182061

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £000	2015 (restated) £000
FIXED ASSETS			
Investment property	9	44,264	41,407
		<u>44,264</u>	<u>41,407</u>
Creditors: amounts falling due within one year	10	(29,050)	(29,627)
NET CURRENT LIABILITIES		<u>(29,050)</u>	<u>(29,627)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,214</u>	<u>11,780</u>
NET ASSETS		<u>15,214</u>	<u>11,780</u>
CAPITAL AND RESERVES			
Called up share capital	11	-	-
Profit and loss account	12	15,214	11,780
		<u>15,214</u>	<u>11,780</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 April 2017.


S L Gumm
 Director

The notes on pages 9 to 15 form part of these financial statements.

SIR FITZWILLIAM LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2016	-	11,780	11,780
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	3,434	3,434
At 31 December 2016	-	15,214	15,214

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2015	-	7,380	7,380
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	4,400	4,400
At 31 December 2015	-	11,780	11,780

The notes on pages 9 to 15 form part of these financial statements.

SIR FITZWILLIAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information

The Company is incorporated in England and the registered office is Cavendish House, 18 Cavendish Square, London, W1G 0PJ. The nature of the Company's principal activities is set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 FRS 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Basic Financial Instruments; and
- the requirements of Section 12 Other Financial Instruments Issues.

This information is included in the consolidated financial statements of Secure Income REIT Plc as at 31 December 2016 and these financial statements may be obtained from Cavendish House, 18 Cavendish Square, London W1G 0PJ or from www.SecureIncomeREIT.co.uk.

2.3 Turnover

Turnover represents rents receivable during the period from the letting of the investment property at invoiced amounts excluding any value added tax. As permitted by FRS 102, since the relevant leases were in existence at the date of transition to FRS 102, the Company has continued to account for rental income in line with old UK GAAP and as such recognises the fixed uplifts as they arise.

2.4 Operating leases

Judgement is exercised in considering the potential transfer of the risks and rewards of ownership for all properties leased to tenants and determine whether such leases are operating leases. A lease is classified as a finance lease if substantially all of the risks and rewards of ownership transfer to the lessee. If the Company substantially retains those risks, a lease is classified as an operating lease. The lease reflected in these financial statements is classified as an operating lease.

SIR FITZWILLIAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.5 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the profit and loss account.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.8 Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Tax

Tax is recognised in the profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

SIR FITZWILLIAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Accounting policies which have a significant bearing on the reported financial condition and results of the Company may require subjective or complex judgements. The principal ongoing area of judgement is the investment property valuation where the opinion of external valuers has been obtained at each reporting date using recognised valuation techniques.

4. Turnover

All turnover arose from the letting of investment property and within the United Kingdom.

5. Administrative expenses

	2016 £000	2015 £000
Advisory fees	227	195
Incentive fees	327	-
Other expenses	10	12
	564	207

Amounts shown above include irrecoverable VAT.

6. Operating profit

The operating profit is stated after charging:

	2016 £000	2015 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	2	2

The Company has no employees and no director received any remuneration during the year (2015 - £NIL).

7. Interest payable and similar charges

	2016 £000	2015 £000
Interest payable to parent undertaking	1,200	1,291

SIR FITZWILLIAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

8. Tax

	2016	2015
	£000	£000
Total current tax	<u>-</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - *lower than*) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016	2015
	£000	£000
Profit on ordinary activities before tax	<u>3,434</u>	<u>4,400</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	687	891
Effects of:		
Qualifying property rental business not taxable	(713)	(920)
Transfer pricing adjustments	26	29
Total tax charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The Secure Income REIT Plc group (the "SIR group") elected into the UK REIT regime in June 2014. Subject to the SIR group's continuing compliance with certain rules, the UK REIT status exempts both profits of the company's property rental business and gains on the company's investment property from UK corporation tax. Since entering the UK REIT regime the SIR group has continued to meet the relevant rules but must continue to do so to maintain UK REIT status. Any profits arising from business activities other than the property rental business will be subject to corporation tax at the prevailing rate.

SIR FITZWILLIAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

9. Investment property

	Freehold investment property £000
Valuation	
At 1 January 2016	41,407
Surplus on revaluation	2,857
At 31 December 2016	44,264

The 2016 valuations were made by CBRE Limited, on an open market value for existing use basis.

The valuation was prepared on a fixed fee basis, independent of the property value, and was undertaken in accordance with the RICS Valuation - Professional Standards January 2014, supported by reference to market evidence of transaction prices for similar properties.

The historical cost of the property is £32.1 million (2015: £32.1 million).

A charge over the Company's assets, including the investment property, has been granted to the lender as part of the security for loans provided to SIR Healthcare 2 Limited, the Company's immediate parent undertaking.

10. Creditors: Amounts falling due within one year

	2016 £000	2015 (restated) £000
Amounts owed to parent undertaking	28,165	29,088
Accruals and deferred income	885	539
	29,050	29,627

Amounts owed to parent undertaking are unsecured, bear interest at a rate of 6.5% per annum and are repayable on demand. Following a review of the terms of the group's long term external borrowings and the relationship of these amounts to those borrowings, the comparatives have been restated to reclassify these amounts from creditors falling due after one year to creditors falling due within one year.

SIR FITZWILLIAM LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

11. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
1 ordinary share of £1	<u>1</u>	<u>1</u>

Share capital represents the aggregate nominal value of shares issued.

12. Reserves

Profit & loss account

As at 31 December 2016, £3.0 million (2015: £2.4 million) of the Company's retained earnings represented distributable reserves.

13. Operating leases

The Company's investment property is leased to a third party under a non-cancellable operating lease. As at 31 December 2016, the remaining lease term is 20.4 years (2015: 21.4 years) and the lease contains fixed uplifts with no break options. The future minimum lease payments are as follows:

	2016 £000	2015 £000
Future minimum lease payments		
Within one year	2,406	2,348
Between one and five years	10,312	10,036
More than five years	51,734	54,416
	<u>64,452</u>	<u>66,800</u>

14. Contingent liabilities

The Company, along with its fellow subsidiary undertakings, has guaranteed loans made to its immediate parent undertaking, SIR Healthcare 2 Limited. At 31 December 2016, these loans amounted to £312.2 million (2015: £315.6 million).

SIR FITZWILLIAM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

15. Related party transactions

The Company has taken advantage of the exemption available to wholly owned subsidiary undertakings not to disclose any transactions with entities that are included in the consolidated financial statements of Secure Income REIT Plc.

Administrative expenses include £0.5 million (2015 - £0.2 million) of advisory and incentive fees payable to Prestbury Investments LLP, the group's investment adviser, of which £0.3 million (2015 - £NIL) was payable at the year end and is included in accruals. The directors of the Company are members of Prestbury Investments LLP.

16. Controlling party

The Company's immediate parent undertaking is SIR Healthcare 2 Limited and the ultimate parent undertaking is Secure Income REIT Plc. The consolidated financial statements of Secure Income REIT Plc are available to the public and may be obtained from the Company Secretary, Cavendish House, 18 Cavendish Square, London, W1G 0PJ or from www.SecureIncomeREIT.co.uk.