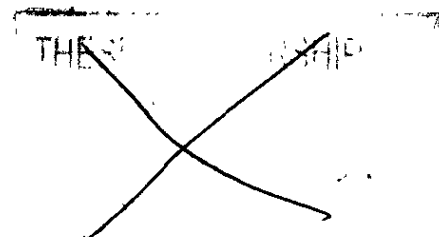
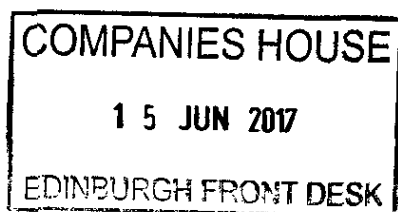


Industrial Real Estate (General Partner) Limited

Report and Financial Statements

Year ended 31 December 2016

Company registration number 08180071



Industrial Real Estate (General Partner) Limited (Company registration number 08180071)
Report and Financial Statements

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Industrial Real Estate (General Partner) Limited (Company registration number 08180071)
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Company Information

Board of Directors	Mr I R McGowan Ms M E Williams
Company Secretary	Active Services (Guernsey) Ltd 1 st Floor Tudor House Le Bordage St Peter Port Guernsey GY1 1DB
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Atria One 144 Morrison Street Edinburgh EH3 8EX
Registered Office	21 St Thomas Street Bristol BS1 6JS
Company Number	08180071

Industrial Real Estate (General Partner) Limited (Company registration number 08180071)
Report and Financial Statements

Directors' Report

The Directors are pleased to present their report and audited financial statements of Industrial Real Estate (General Partner) Limited (the "Company") for the year to 31 December 2016.

Principal activities and review of the business

The Company was incorporated on 15 August 2012 under the Companies Act 2006. The Company is domiciled in the United Kingdom.

The principal activity of the Company is to act as the General Partner to the Industrial Real Estate Limited Partnership ("the Partnership"), which previously invested in industrial properties in the UK. In February 2016, the Partnership sold its portfolio of industrial properties to external investors.

Results and dividend

The loss after tax for the year to 31 December 2016, as set out on page 8, is £2,233 (2015: £2,753). The Directors do not recommend the payment of a dividend (2015: £nil) and the loss after tax for the year has been transferred to reserves.

Financial instruments

The risk management objectives and policies of the Company and the exposure to market risk, credit risk and liquidity risk are covered in note 11 to the financial statements.

Future Outlook

In February 2016, the Partnership sold its entire portfolio of industrial properties to external investors. The intention is to commence activity to wind up the Limited Partnership.

Going concern

Given that the Partnership no longer holds any investment property and has no plans to acquire new assets, it is the intention of the General Partner to start the termination of the Partnership within 12 months of the signing of the Financial Statements. Thereafter, the Company will be wound up. The General Partner has therefore prepared its financial statements on a basis other than going concern.

Strategic report: small companies exemption

The Company has adopted the exemption from preparing a strategic report, as the Company is entitled to prepare financial statements for the year in accordance with the small companies regime.

Directors

The Directors of the company who were in office at the date of signing the financial statements and this report and subsequent to the year-end are shown on page 2.

Dates of appointments and resignations during the year and up to the date of this report were as follows

Director	Date of Appointment	Date of Resignation
Marie Elaine Williams	10 March 2016	-
James Edward Clatworthy	-	29 February 2016

Industrial Real Estate (General Partner) Limited (Company registration number 08180071)
Report and Financial Statements

Directors' Report (continued)

Particulars of the Directors' emoluments are given in note 12 to the financial statements.

Disclosure of information to auditors

Each person who is a Director at the date of approval of this report confirms that, so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given, and should be interpreted in accordance with, the provisions of the Companies Act 2006.

On behalf of the Board of Directors:



Iain McGowan

Director
25th May 2017

Industrial Real Estate (General Partner) Limited (Company registration number 08180071)
Report and Financial Statements

Statement of Directors' Responsibilities

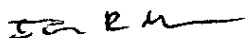
The directors are responsible for preparing the Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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 company 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 enable them to ensure that the financial statements comply with the Companies Act 2006. The directors 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.

Signed on behalf of Industrial Real Estate (General Partner) Limited by:



Iain McGowan

Director
25th May 2017

Independent auditors' report to the members of Industrial Real Estate (General Partner) Limited

Report on the financial statements

Our opinion

In our opinion, Industrial Real Estate (General Partner) Limited's financial statements (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 loss and cash flows for the year then ended;
 - have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

Emphasis of matter - Basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the basis of preparation. The Limited Partnership no longer holds investment property and has no intention of acquiring new assets, it is the intention of the General Partner to terminate the Limited Partnership within the next 12 months followed by the winding up of the Company. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern as described in note 3 to the financial statements. Adjustments have been made in these financial statements to reclassify fixed assets and long-term liabilities as current assets and liabilities.

What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Christopher Meyrick (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
25 May 2017

Industrial Real Estate (General Partner) Limited (Company registration number 08180071)
Report and Financial Statements

Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	2016 £	2015 £
Revenue			
Investment income		-	-
Expenses			
Administrative expenses	4	(2,233)	(2,753)
Loss before tax		<u>(2,233)</u>	<u>(2,753)</u>
Taxation	5	<u>-</u>	<u>-</u>
Loss after tax		<u>(2,233)</u>	<u>(2,753)</u>

There are no other items of comprehensive expense other than those shown above. Accordingly the loss for the year is the same as the total comprehensive expense for the year.

The notes on pages 11 to 16 form an integral part of these financial statements.

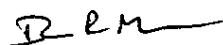
Industrial Real Estate (General Partner) Limited (Company registration number 08180071)
Report and Financial Statements

Statement of Financial Position

As at 31 December 2016

	Note	2016 £	2015 £
Assets			
Current assets			
Investments	6	3	3
Amounts due from group undertakings	7	2	2
Total assets		<u>5</u>	<u>5</u>
Equity and liabilities			
Capital and reserves			
Called up share capital	8	2	2
Accumulated losses		<u>(9,641)</u>	<u>(7,408)</u>
Total equity		<u>(9,639)</u>	<u>(7,406)</u>
Liabilities			
Current liabilities			
Trade and other payables	9	1,483	1,440
Amounts due to group undertakings	10	8,161	5,971
Total liabilities		<u>9,644</u>	<u>7,411</u>
Total equity and liabilities		<u>5</u>	<u>5</u>

The financial statements on pages 8 to 16 were approved by the Board of Directors at a meeting on 25th May 2017 and signed on its behalf by:



Iain McGowan

Director

No Cash Flow Statement has been prepared since the Company does not operate a bank account and there have been no cash movements during the year ended 31 December 2016.

The notes on pages 11 to 16 form an integral part of these financial statements.

Industrial Real Estate (General Partner) Limited (Company registration number 08180071)
Report and Financial Statements

Statement of Changes in Equity

For the year ended 31 December 2016

	Total Equity £	Accumulated losses £	Total £
Balance as at 1 January 2015	2	(4,655)	(4,653)
Loss after tax	-	(2,753)	(2,753)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2015	2	(7,408)	(7,406)
Loss after tax	-	(2,233)	(2,233)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2016	<u>2</u>	<u>(9,641)</u>	<u>(9,639)</u>

The notes on pages 11 to 16 form an integral part of these financial statements

Notes to the Financial Statements

1. Basis of preparation

The financial statements have been prepared in accordance with:

(1) the International Accounting Standards ("IASs") and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the Standards and Interpretations ("SICs") and International Financial Reporting Interpretations Committee ("IFRICs") issued by its International Financial Reporting Interpretations Committee, as endorsed by the European Union; and

(2) those parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

The financial statements have been prepared on the historical cost basis, and on a basis other than going concern on the basis that the Company will be wound up following the termination of the Partnership.

These policies have been consistently applied during the year presented unless otherwise stated.

Standards and amendments to existing standards effective 1 January 2016

- Amendments to IFRS 9, 'Financial instruments' (effective 1 January 2018).

Standards and interpretations in issue but not adopted early

The following standards and amendments to published standards are optional for the current accounting year beginning on 1 January 2016 but the Company has not elected to adopt early:

- Amendments to IFRS 2, 'Share based payments' (effective 1 January 2018).
- Amendments to IFRS 9, 'Financial instruments' (effective 1 January 2018).
- Amendments to IFRS 12, 'Disclosure of Interests in Other entities' (effective 1 January 2017).
- IFRS 15 'Revenue from contracts with customers' (effective 1 January 2017).
- IFRS 16 'Leases' (effective 1 January 2019).

The Directors of the Company anticipate that the adoption of these standards and interpretations in future periods will have no material financial impact on the financial statements.

Standards and interpretations in issue but not relevant

There are no other standards and amendments to published standards that are mandatory for the current accounting year beginning on 1 January 2016 that are relevant to the Company.

Currency

The financial statements are presented in Sterling which is the Company's functional and presentational currency.

2. Summary of significant accounting policies

The Company has identified the accounting policies that are the most significant to its business operations and the understanding of its results. The significant accounting policies adopted in the preparation of the financial statements are set out below:

a) Investments

Investments are valued at cost subject to impairment. All investments are held in related undertakings and are disclosed in note 5.

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

b) Revenue and expenses

Revenue comprises distributions due under a contract dated 25 October 2012, receivable from Industrial Real Estate Limited Partnership ("the Partnership"). Expenses are mainly offshore administrative fees payable by the Company. Revenue and expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

c) Financial assets and liabilities

Trade and other receivables and payables are recorded initially at fair value and subsequently at amortised cost, with the exception of accrued interest which is accounted for at fair value, reflecting amounts recoverable and payable at the period end.

d) Cash and cash equivalents

The Company does not hold cash and therefore a cash flow statement has not been prepared.

e) Income taxes

Income tax on the profit or loss for the year is recognised in the Statement of Comprehensive Income and comprises current tax. Current tax is the expected tax payable on the income for the year, using the tax rate enacted or substantially enacted at the balance sheet date, together with adjustments to tax payable in respect of prior years.

The Company recognises a deferred tax asset arising from unused tax losses or tax credits only to the extent that the Company has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the Company. No provision for deferred tax is recognised in the Income Statement as there are no timing differences which would result in a deferred tax asset or liability.

The principal accounting policies adopted in these financial statements were applied consistently throughout the year.

3. Going Concern - Principles underlying the basis for preparation

Given that the Partnership no longer holds any investment property and has no intention to acquire new assets, it is the intention of the General Partner to commence the termination of the Partnership within 12 months of the signing of the Financial Statements. Since the purpose of the Company is to operate the Partnership, the Company will be wound up thereafter. The General Partner has therefore prepared these financial statements on a basis other than going concern. Adjustments have been made in these financial statements to reclassify non-current assets and liabilities as current assets and liabilities.

4. Administrative expenses

These include remuneration of the auditors in respect of the audit of the financial statements for the year ended 31 December 2016 £1,483 (2015: £1,440).

The auditors received no fees in respect of non-audit services to the Company (2015: £nil).

The Company had no employees during the year (2015: none).

Industrial Real Estate (General Partner) Limited (Company registration number 08180071)
Report and Financial Statements

Notes to the Financial Statements (continued)

5. Taxation

The Company is subject to the UK current rate of Corporation Tax. No charge (2015: £nil) was incurred for the current year and deferred tax on losses was not recognised.

a) Taxation in the Statement of Comprehensive Income is made up as follows:

	2016	2015
	£	£
UK Corporation tax for the year	-	-
	<u>-</u>	<u>-</u>

b) Factors affecting the tax (credit)/charge for the year

	2016	2015
	£	£
Loss on ordinary activities before tax	<u>(2,233)</u>	<u>(2,753)</u>
Loss on ordinary activities multiplied by the average rate of corporation tax in the UK of 20% (2015: 20.25%)	(447)	(557)
Adjustment in respect of prior years	-	-
Unutilised losses carried forward	447	557
Current tax (credit)/charge for the year	<u>-</u>	<u>-</u>

The Company is subject to the UK current rate of Corporation tax. At the UK tax rate of 20% (2015: 20.25%) the loss before tax of £2,233 (2015: £2,753) would give rise to a tax credit of £452 (2015: £557). However the losses for the year ended 31 December 2016 and for prior years have been carried forward to future periods meaning the tax charge/credit for the year is nil (2015: nil).

6. Investments

	2016	2015
	£	£
Industrial Real Estate Limited Partnership	1	1
Industrial Real Estate (Nominee) Limited	<u>2</u>	<u>2</u>
	<u>3</u>	<u>3</u>

Under the Limited Partnership Agreement of the Partnership, the Company contributed £1 capital on 25 October 2012, as the General Partner. The Partnership was registered in England as a limited partnership on 25 October 2012 under the Limited Partnership Act 1907.

The Company's investments in the above nominee company, incorporated in England and Wales, is for two ordinary shares, for the total consideration of £2. This represents a 100% holding in the share capital of the nominee company.

7. Amounts due from group undertakings

	2016	2015
	£	£
Amounts due from Scottish Widows Limited	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

Industrial Real Estate (General Partner) Limited (Company registration number 08180071)
Report and Financial Statements

Notes to the Financial Statements (continued)

7. Amounts due from group undertakings (continued)

The amounts due from the group undertakings are repayable on demand. As the Company does not operate a bank account it is not expected that repayment of these balances will be sought until the Company is liquidated.

8. Called up share capital

	2016	2015
	£	£
Issued and paid up		
2 (2015: 2) Ordinary Shares of £1 each	2	2
	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

9. Trade and other payables

	2016	2015
	£	£
Audit fee accrual	1,483	1,440
	<u>1,483</u>	<u>1,440</u>
	<u>1,483</u>	<u>1,440</u>

10. Amounts due to group undertakings

	2016	2015
	£	£
Amounts due to Industrial Real Estate LP	8,159	5,969
Amounts due to Industrial Real Estate (Nominee) Limited	2	2
	<u>8,161</u>	<u>5,971</u>
	<u>8,161</u>	<u>5,971</u>

The amounts due to group undertakings are repayable on demand. As the Company does not operate a bank account it is not expected that repayment of these balances will be sought until the Company is liquidated.

11. Risk management

The Company's financial instruments comprise receivables and payables that arise directly from its operations. There are no classes of business which require separate disclosure.

a) Governance framework

The Company's parent is Scottish Widows Limited whose ultimate parent company is Lloyds Banking Group plc. Aberdeen Asset Investments Limited is the Operator and Fund Manager for the Partnership. Aberdeen Asset Investments Limited has established a risk management function with clear terms of reference and with the responsibility for monitoring the policies on financial risk and implementing the Lloyds Banking Group framework as notified to the directors by Lloyds banking Group plc.

The risks related to the Company's activities are regularly evaluated. The key financial risks relevant to the Company are market risk, credit risk and liquidity risk.

Notes to the Financial Statements (continued)

11. Risk management (continued)

b) Financial risks

(1) Market risk

Market risk is defined as the risk that unfavourable market moves lead to reductions in earnings and/ or value.

(i) Price risk

The Partnership is exposed to property market risks. These risks include adverse investment and occupier markets which could cause the value of the investment properties or rental income streams to reduce. As the Partnership no longer holds any investment property, price risk is not deemed significant.

(ii) Currency risk

The Company's transactions are carried out in Pounds Sterling, therefore currency risk is deemed insignificant.

(2) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. All amounts relate to group undertakings, therefore credit risk is not deemed to be significant. At the year end, there were no impaired or past due debtors and during the year there were no renegotiations of debtor terms.

(3) Liquidity risk

Liquidity risk is defined as the risk that the Company has insufficient financial resources to meet its commitments as they fall due, or can only secure them at excessive cost.

Liquidity risk may result from either the inability to sell financial assets quickly at their fair values or from the inability to generate cash inflows as anticipated.

Liquidity risk is managed in line with the Insurance Liquidity Risk Policy and the wider LBG Funding and Liquidity Risk Policy.

(4) Interest rate risk

All financial assets and liabilities are non-interest bearing and are expected to mature upon winding up of the Group counterparty which is due to terminate on 30 December 2019.

The Company's exposure to interest rate risk is only indirectly through its investment in the Partnership.

c) Capital management

The Company's capital is managed by Aberdeen Asset Management PLC who identifies the risks to which the Company is exposed, quantifies the impact and assesses the capital requirements.

Industrial Real Estate (General Partner) Limited (Company registration number 08180071)
Report and Financial Statements

Notes to the Financial Statements (continued)

12. Related party transactions

Transactions between the key management personnel of the Company and parties related to them as defined by International Accounting Standard 24 "Related Party Disclosures" are given below:

The Directors and key management consider that they have received no remuneration for their services to the Company during the current or prior year. On that basis, there are no aggregate emoluments of the Directors for the current year (2015: £nil).

None of the Directors who held office during the year had any interest in the shares of the Company (2015: none).

Scottish Widows Limited owns the entire share capital of the Company and therefore is a related party to the Company. As at 31 December 2016, £2 (2015: £2) was due from Scottish Widows Limited for its investment in the Company.

The Company is a related party to the Partnership by virtue of control over the operating and financial policies, as set out in the Limited Partnership Agreement ("LPA") dated 25 October 2012. The Company is entitled to receive income distributions from the Partnership per the LPA. The total fee income during the year was £nil (2015: £nil). For the year ended 31 December 2016 £8,158 (2015: £5,968) was owed to the Partnership by the Company in respect of invoices paid by the Partnership on behalf of the Company. The Company also owes the Partnership £1 (2015: £1) relating to its investment in the Partnership.

The Company owns the entire share capital of the Industrial Real Estate (Nominee) Limited ("Nominee") and therefore is a related party of the Company. The Company owes the Nominee £2 (2015: £2) relating to its investment in the Nominee.

There were no other material transactions by the Company with related parties for the year ended 31 December 2016 (2015: none).

13. Immediate and ultimate parent undertaking

The immediate parent undertaking is Scottish Widows Limited, a company registered in the United Kingdom.

The parent undertaking which is the parent undertaking of the smallest group to consolidate these financial statements is Scottish Widows Limited. Copies of the consolidated annual report and accounts of Scottish Widows Limited may be obtained from Insurance Secretariat, 69 Morrison Street, Edinburgh EH3 8YF.

The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the consolidated annual report and accounts of Lloyds Banking Group plc may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.

Industrial Real Estate Limited Partnership

Report and Financial Statements

Year ended 31 December 2016

Limited Partnership Number: LP015247



COMPANIES HOUSE



08180071

**Industrial Real Estate Limited Partnership (Limited Partnership Number LP015247)
Report and Financial Statements**

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Industrial Real Estate Limited Partnership (Limited Partnership Number LP015247)
Report and Financial Statements

General Partner, Manager and Advisors

General Partner	Industrial Real Estate (General Partner) Limited 21 St Thomas Street Bristol, BS1 6JS Director: I R McGowan Director: M E Williams
Limited Partner	Industrial Real Estate Property Unit Trust c/o BNP Paribas Securities Services SCA Guernsey Branch, formerly BNP Paribas Trust Company (Guernsey) Limited BNP Paribas House PO Box 412 St Julians Avenue St Peter Port Guernsey GY1 3WE
Operator and Fund Manager	Aberdeen Asset Investments Limited Bow Bells House, 1 Bread Street London, EC4M 9HH
Asset Manager	Canmoor Asset Management Ltd 34 Dover Street London, W1S 4NG
Property Manager	Jones Lang LaSalle 30 Warwick Street London, W1B 5NH
Independent Valuer	CBRE Limited Henrietta House, Henrietta Place London, W1G 0NB
Independent Auditors	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh, EH3 8EX
Legal Advisor	Forsters LLP 31 Hill Street London, W1J 5LS
Banker	Lloyds Bank plc 25 Gresham Street London, EC2V 7HN

Industrial Real Estate Limited Partnership (Limited Partnership Number LP015247) Report and Financial Statements

General Partner's Report

The General Partner presents its report and audited financial statements of Industrial Real Estate Limited Partnership (the "Fund") for the year ended 31 December 2016.

Principal Activities and Trading Review

Industrial Real Estate Limited Partnership ("the Fund") was registered in England as a limited partnership on 25 October 2012 under the Limited Partnerships Act 1907. The principal activity of the Fund is that of property investment.

On 19 February 2016, the Fund sold its entire portfolio of industrial properties to external investors and no longer holds any investment property.

The General Partner outsourced the role of Operator and Fund Manager to the Fund to Aberdeen Asset Investments Limited under the agreements dated 31 October 2012.

The Fund will terminate on 30 December 2019 or prior to that date upon the occurrence of any of the following events:

- (a) the General Partner ceasing to act as general partner in accordance with clause 6.7 or 13.1.1 without the appointment of a replacement general partner;
- (b) with the consent of all Partners (in, the case of the Limited Partners acting by extraordinary resolution);
- (c) on termination of the Unit Trust; or
- (d) the sale of all of the Fund's assets (such sale having been previously approved by extraordinary resolution).

The Termination Date can be extended by Limited Partners acting by Extraordinary Resolution in which case the Fund shall continue until such new termination date as the Partners shall determine.

Strategic Report

Results

The results for the year are set out in the Statement of Comprehensive Income on page 8. The General Partner recommends the payment of a distribution for the year ended 31 December 2016 of £14,074,886 (2015: partial distribution £1,872,920).

Future Outlook

In February 2016, the Partnership sold its entire portfolio of industrial properties to external investors. The intention is to commence activity to wind up the Limited Partnership.

Risk management

The management of the business and the execution of the Fund's strategy are subject to a number of risks. The risk management objectives and policies of the Fund and the exposure to market risk, interest rate risk, credit risk and liquidity risk are set out in note 9.

Industrial Real Estate Limited Partnership (Limited Partnership Number LP015247)
Report and Financial Statements

General Partner's Report (continued)

Going concern

The Fund sold its property portfolio on 19 February 2016. Given that the Fund no longer holds any investment property and has no intention to acquire new assets, it is the intention of the General Partner to terminate the Fund within 12 months of the signing of the Financial Statements. The General Partner has therefore prepared the financial statements on a basis other than going concern.

Capital contributions

Partners' capital contributions were as follows:

	2016	2015
	£	£
Industrial Real Estate Property Unit Trust	-	38,334,706
Industrial Real Estate (General Partner) Limited	1	1
	<u>1</u>	<u>38,334,707</u>

Rights and entitlement of Partners

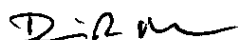
The profits and losses of the Fund are to be shared amongst the Partners as follows:

	2016	2015
Industrial Real Estate Unit Trust	100%	100%

Disclosure of information to auditors

Each person who is a Director of the General Partner at the date of approval of this report confirms that, so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given, and should be interpreted in accordance with, the provisions of the Companies Act 2006.

Approved by the General Partner on 25th May 2017 and signed on its behalf by:



Iain McGowan

Director
Industrial Real Estate (General Partner) Limited

Industrial Real Estate Limited Partnership (Limited Partnership Number LP015247)
Report and Financial Statements

Statement of General Partner's Responsibilities in respect of the financial statements

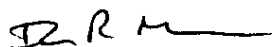
The General Partner is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the General Partner to prepare financial statements for each financial year. Under that law the General Partner has prepared the partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law as applied to qualifying partnerships the General Partner 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 partnership and of the profit or loss of the partnership for that period. In preparing these financial statements, the General Partner is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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 partnership and group will continue in business.

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

Approved by the General Partner on 25th May 2017 and signed on its behalf by:



Iain McGowan

Director
Industrial Real Estate (General Partner) Limited

Independent auditors' report to the members of Industrial Real Estate Limited Partnership

Report on the financial statements

Our opinion

In our opinion, Industrial Real Estate Limited Partnership's financial statements (the "financial statements"):

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 December 2016 and of its loss 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 qualifying partnerships by the Partnerships (Accounts) Regulations 2008.
-

Emphasis of matter - Basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 (b) to the financial statements concerning the basis of preparation. As the Fund no longer holds any investment property and has no intention to acquire new assets, it is the intention of the General Partner to terminate the Fund within 12 months of signing the financial statements. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern as described in Note 1(b) to the financial statements. No adjustments were necessary in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision or to reclassify fixed assets and long-term liabilities as current assets and liabilities.

What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in net Assets Attributable to Partners for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the general partner has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the General Partner's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the General Partner's Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the General Partner's Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

General Partner's remuneration

Under the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations we are required to report to you if, in our opinion, certain disclosures of general partner's remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the general partner

As explained more fully in the Statement of General Partner's Responsibilities set out on page 5, the general partner is 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the members of the qualifying partnership as a body in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

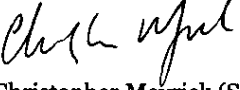
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the qualifying partnership's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the general partner; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the general partner's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.


Christopher Meyrick (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
21 May 2017

Industrial Real Estate Limited Partnership (Limited Partnership Number LP015247)
Report and Financial Statements

Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	2016 £	2015 £
Rental income	2	482,492	3,589,524
Other operating income	3	<u>6,916</u>	<u>358,942</u>
		489,408	3,948,466
Capital Gains			
Realised (loss)/gain on sale of investment property		(777,646)	343,934
Unrealised gain on revaluation of investment properties		<u>-</u>	<u>5,844,493</u>
		(777,646)	6,188,427
Property costs	4	<u>(675,825)</u>	<u>(1,813,393)</u>
Net operating income before interest and finance costs		(964,063)	8,323,500
Interest receivable and similar income		<u>695</u>	<u>4,440</u>
Change in net assets attributable to Partners		(963,368)	8,327,940
Finance costs: income distributions payable		<u>(14,074,886)</u>	<u>(1,872,920)</u>
Income reserve		<u>(15,038,254)</u>	<u>6,455,020</u>

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents.

The notes on pages 11 to 18 form an integral part of these financial statements.


Industrial Real Estate Limited Partnership (Limited Partnership Number LP015247)
Report and Financial Statements

Statement of Financial Position

As at 31 December 2016

	Note	2016 £	2015 £
Assets			
Non-Current assets			
Investment properties	5	-	56,127,532
Current assets			
Debtors	6	146,063	1,299,023
Cash at bank and in hand		<u>3,862,161</u>	<u>2,108,783</u>
		<u>4,008,224</u>	<u>3,407,806</u>
Total assets		<u>4,008,224</u>	<u>59,535,338</u>
Liabilities			
Current liabilities			
Creditors	7	<u>(187,538)</u>	<u>(2,341,692)</u>
Total liabilities		<u>(187,538)</u>	<u>(2,341,692)</u>
Net assets attributable to Partners	8	<u><u>3,820,686</u></u>	<u><u>57,193,646</u></u>

The financial statements on pages 8 to 18 were approved by the General Partner on 25th May 2017 and signed on its behalf by:



Iain McGowan

Director
Industrial Real Estate (General Partner) Limited

The notes on pages 11 to 18 form an integral part of these financial statements.

Industrial Real Estate Limited Partnership (Limited Partnership Number LP015247)
Report and Financial Statements

Statement of Changes in Net Assets Attributable to Partners

	Note	Partners Capital £	Income Reserve £	Total £
At 1 January 2015		38,334,707	12,403,919	50,738,626
Change in net assets attributable to Partners		-	8,327,940	8,327,940
Income distributions for the year		-	(1,872,920)	(1,872,920)
At 31 December 2015		38,334,707	18,858,939	57,193,646
Change in net assets attributable to Partners		-	(963,368)	(963,368)
Income distributions for the year		-	(14,074,886)	(14,074,886)
Capital distributions for the year		(38,334,706)	-	(38,334,706)
At 31 December 2016	8	1	3,820,685	3,820,686

The notes on pages 11 to 18 form an integral part of these financial statements

Notes to the Financial Statements

For the year ended 31 December 2016

1. Accounting policies

a) Basis of accounting

The financial statements have been prepared on an historical cost basis as modified for the revaluation of investment properties and in accordance with the Limited Partnership Agreement, United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006.

The financial statements have been prepared in accordance with FRS 102 which applies for accounting periods commencing on or after 1 January 2015. Unrealised gains on the revaluation of investments and realised gains on the disposal of investments are dealt with in the Statement of Comprehensive Income. Within the Statement of Comprehensive Income the Revaluation Reserve has been reclassified to Capital Gains; this reserve is included in the total return of the Fund within the Statement of Changes in Net Assets Attributable to Partners

In accordance with FRS 102 Section 10 'Accounting Policies, Estimates and Errors', the Fund's accounting policies are reviewed annually to confirm that they remain appropriate and are in accordance with United Kingdom accounting standards and the Limited Partnership Agreement.

The principal accounting policies adopted in these financial statements were applied consistently throughout the year.

b) Going concern – Principles underlying the basis for preparation

The Fund sold its investment property portfolio in February 2016. Given that the Fund no longer holds any investment property and has no intention to acquire new assets, it is the intention of the General Partner to terminate the Fund. The General Partner has considered the Statement of Financial Position of the Fund and is satisfied on the basis that the Fund has sufficient resources from its immediate parent undertaking that there are adequate resources available to cover the residual matters arising from the Fund's prior activities. Once all such matters have been resolved, the General Partner intends to terminate the Fund within 12 months of the signing of the Financial Statements. The General Partner has therefore prepared the financial statements on a basis other than going concern. No adjustments were necessary to the accounts as a result of this decision.

c) Recognition of income

Rental income is accounted for on an accruals basis. Rental income received in respect of operating leases excludes charges for services such as insurance and maintenance and is recognised on a straight line basis over the period of the lease, even if the payments are not made on such a basis. Benefits to lessees in the form of rent free periods are treated as a reduction in overall return on the leases and lease incentives given as capital contributions are shown as a debtor and amortised. For leases entered into up to 31 December 2014, these incentives are amortised in accordance with UITF 28, "Operating Lease Incentives", and recognised on a straight line basis over the shorter of the lease term or the period to when the rent is adjusted to the prevailing market rate, usually the first rent review. Any leases entered into on or after 1 January 2015, the incentives to the tenants, in the form of rent free or lease incentives, have been amortised in accordance with FRS 102, and are recognised on a straight line basis over the lease term.

d) Interest receivable and similar income

Interest receivable is accounted for on an accruals basis.

e) Expenses

Expenses are accounted for on an accruals basis.

All expenses, other than those relating to the purchase, sale and capital development of property, are included in property costs in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

e) Expenses (continued)

Lease incentives given to tenants in the form of capital contributions are amortised on a straight line basis over the lease term.

f) Provision for bad debts

The potential non-recovery of tenant debts and any arrears greater than one year old are provided for by way of a bad debt provision.

g) Service charges

Service charge income and service charge expenditure, attributable to tenants, are accounted for on an accruals basis and in the accounting period in which the services are rendered. When the Fund is acting as principal, service charge income and expenditure are separately disclosed under Other income and Property costs in the Statement of Comprehensive Income. When the Fund is acting as an agent, any commission rather than gross income and expenses are recorded.

In determining whether the Fund is acting as principal or agent and hence whether the income and expenditure is recognised gross or net, the following indicators (of being a principal) are considered:

- The Fund is the primary obligor in the arrangement i.e. the obligation to settle service charges is with the Fund
- The Fund bears the risks of owning the property
- The Fund has latitude in establishing the rentals
- The Fund has discretion in service charge supplier selection
- The Fund is involved in the determination of lease specifications
- The Fund bears the credit risk

In practice, a review of lease agreements gives a sufficient indication whether or not the above criteria are met.

Void costs attributable to the Fund have been disclosed as part of Property costs in the Statement of Comprehensive Income and are disclosed in Note 4.

h) Distribution policy

It is generally the policy of the Fund to distribute all realised profits to the Partners each quarter in accordance with the Limited Partnership Agreement net of any capital expenditure incurred. On an annual basis, all net income for that year will be distributed to Partners.

i) Investment properties

Investment properties are initially recognised at cost and subsequently carried in the Balance Sheet at Market Value, as defined in the Appraisal and Valuation Standards Manual issued by the Royal Institution of Chartered Surveyors of the United Kingdom ("RICS"), less adjustments in accordance with FRS102 'Operating Leases'. These investment properties were last valued on 31 December 2015 by CBRE Limited, the Independent Valuer. The valuations were carried out in compliance with the RICS Practice Statements contained within the Appraisal and Valuation Standards Manual. Sites in the course of development are valued at cost to the stage reached in construction and taking account of any agreed letting and any contracted liabilities to advance further monies.

The Independent Valuer was entitled to receive a fee of 0.013% of the average value of the immoveable property within the Fund. This fee was payable quarterly.

The Fund's policy is to value investment properties on a quarterly basis at the quarter end date. On realisation, any gain or loss is calculated by reference to historic book cost and is included in the Statement of Comprehensive Income. Unrealised gains/losses on investment properties are recognised in the Statement of Comprehensive Income under the provisions of FRS102.

Industrial Real Estate Limited Partnership (Limited Partnership Number LP015247)
Report and Financial Statements

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

j) Taxation

As a limited partnership, taxable income and chargeable gains and losses are passed through to the individual Partners. Accordingly no provision for income tax or corporation tax to Partners has been included in the financial statements.

k) Interest on Partners' capital accounts

No interest is payable in respect of Partners' capital accounts.

l) Operator and fund management fees

Under an Operating Agreement and Fund Management Agreement with Aberdeen Asset Investments Limited dated 31 October 2012, the Operator and Fund Manager shall be entitled to a fee. This fee will be calculated and will accrue to the Operator and Fund Manager on a quarterly basis.

m) Asset management fees

Under an Asset Management agreement with Canmoor ("the Asset Manager") dated 31 October 2012, the Asset Manager is entitled to an Asset Management fee. The fee is calculated and accrues to the Asset Manager on a quarterly basis. Following the sale of the portfolio in February 2016, there is no ongoing relationship with Canmoor.

n) Rent deposits

Rent deposits received from the tenants are held in a separate bank account and are due to the tenant at the end of lease term. The balance in the rent deposit bank account is recognised as a debtor and the corresponding amount due to tenants is recognised as a creditor in the financial statements.

o) Cash flow statement

No cash flow statement is presented as over 90% of the voting rights of the Fund are controlled within Lloyds Banking Group plc and the consolidated financial statements of Lloyds Banking Group plc, which includes the results of the Fund, are publicly available. Therefore the Fund is exempt from publishing a cash flow statement under FRS 102 Section 1, "Reduced disclosures for subsidiaries".

2. Rental income

Income arises within the United Kingdom.

3. Other operating income

	2016	2015
	£	£
Dilapidation income	-	127,560
Service charge income	-	187,986
Miscellaneous income	6,916	43,396
	<u>6,916</u>	<u>358,942</u>

Industrial Real Estate Limited Partnership (Limited Partnership Number LP015247)
Report and Financial Statements

Notes to the Financial Statements (continued)

4. Property costs

	2016	2015
	£	£
Property operating costs	560,384	545,229
Void costs	(118,066)	785,187
Operator and fund management fee	85,080	273,764
Bad debt provision expense	99,818	(105,860)
Service charge expenditure	-	187,986
Solicitors fees	37,593	92,923
Administration expenses	12,781	18,256
Valuation & IPD fees	(1,765)	14,033
Rent review costs	-	1,875
	<u>675,825</u>	<u>1,813,393</u>

Under an Operating Agreement between the General Partner and the Operator and the Fund Manager, the Fund is charged a quarterly Operating Fee at 15 basis points of the quarterly gross value of the Fund on an arrears basis. The total charge during the year was £25,524 (2015: £82,129).

Under a Fund Management Agreement between the General Partner and the Fund Manager, the Fund is charged a quarterly Fund Management Fee at 35 basis points of the quarterly gross assets value of the Fund on an arrears basis. The total charge during the year was £59,556 (2015: £191,635).

Under a separate Asset Management Agreement between the General Partner and Canmoor Asset Management Limited, the Fund is charged an Asset Management Fee at 5% of rents received. The total charge during the year was £29,133 (2015: £187,688). The current year charge represents the fee until the point of sale of the portfolio. Following the sale of the portfolio in February 2016, there is no ongoing relationship with Canmoor.

Under the Asset Management Agreement the Fund will also be obliged to pay a performance fee of 25% of the outperformance of the Fund above 110% of the all industrial sector of the IPD Quarterly Universe. In line with this, Canmoor Asset Management received a performance payment of £400,000 (2015: £nil), following the sale of the portfolio.

Within administration expenses is £6,180 (2015: £14,730) for the auditors' remuneration in 2016. The Fund's auditors received no fees in respect of non-audit services to the Fund in 2015 (2015: none).

The Fund had no employees during the year (2015: none).

5. Investment properties

	Freehold investment properties	Freehold investment properties
	2016	2015
	£	£
Fair value as at 1 January	56,127,532	50,034,524
Additions during the period at cost	1,122,253	622,581
Sales: Proceeds	(56,472,139)	(718,000)
Realised (loss)/gain	(777,646)	343,934
Unrealised gains	-	5,844,493
Fair value as at 31 December	<u>-</u>	<u>56,127,532</u>

Industrial Real Estate Limited Partnership (Limited Partnership Number LP015247)
Report and Financial Statements

Notes to the Financial Statements (continued)

6. Debtors

	2016	2015
	£	£
Trade debtors	129,192	566,548
Lease incentives debtor	-	392,468
Rent deposits held on behalf of tenants	-	213,778
Prepayments	8,156	-
Service Charge Debtor	577	101,913
Amounts due from General Partner	8,159	5,969
Miscellaneous debtors	(21)	18,347
	<u>146,063</u>	<u>1,299,023</u>

7. Creditors

	2016	2015
	£	£
Accruals and deferred income	8,550	895,089
Income distributions payable	-	727,970
VAT payable	24,552	230,619
Rent deposits due to tenants	-	213,778
Service Charge Creditor	48,721	71,674
Investment management fee payable	10,106	72,076
Miscellaneous creditors	95,609	130,486
	<u>187,538</u>	<u>2,341,692</u>

8. Net assets attributable to Partners

2016	Industrial Real Estate (General Partner) Ltd £	Industrial Real Estate Unit Trust £	Total £
Capital as at 1 January	1	38,334,706	38,334,707
Capital distributions	-	(38,334,706)	(38,334,706)
Capital as at 31 December	<u>1</u>	<u>-</u>	<u>1</u>
Income reserve as at 1 January	-	18,858,939	18,858,939
Change in net assets attributable to Partners	-	(963,368)	(963,368)
Distributions for the period	-	(14,074,886)	(14,074,886)
Income reserve as at 31 December	<u>-</u>	<u>3,820,685</u>	<u>3,820,685</u>
Net assets attributable to Partners	<u>1</u>	<u>3,820,685</u>	<u>3,820,686</u>

Industrial Real Estate Limited Partnership (Limited Partnership Number LP015247)
Report and Financial Statements

Notes to the Financial Statements (continued)

8. Net assets attributable to Partners (continued)

2015	Industrial Real Estate (General Partner) Ltd £	Industrial Real Estate Unit Trust £	Total £
Capital as at 1 January	1	38,334,706	38,334,707
Capital distributions	-	-	-
Capital as at 31 December	<u>1</u>	<u>38,334,706</u>	<u>38,334,707</u>
Income reserve as at 1 January	-	12,403,919	12,403,919
Change in net assets attributable to Partners	-	8,327,940	8,327,940
Distributions for the period	-	<u>(1,872,920)</u>	<u>(1,872,920)</u>
Income reserve as at 31 December	<u>-</u>	<u>18,858,939</u>	<u>18,858,939</u>
Net assets attributable to Partners	<u>1</u>	<u>57,193,645</u>	<u>57,193,646</u>

9. Risk management

The Fund's financial instruments comprise property related investments, loans, cash, receivables and payables that arise directly from its operations.

The main risks arising from the Fund's financial instruments are market risk, interest rate risk, credit risk and liquidity risk. The Directors of the General Partner review and agree policies for managing risk exposure. These policies are described below and have remained unchanged for the year under review.

a) Market risk

Market risk is defined as the risk that unfavourable market moves lead to reductions in earnings and/ or value.

(i) Price risk

The Fund is exposed to property market risks directly. These risks include adverse investment and occupier markets which could cause the value of the investment properties or rental income streams to reduce. As the Fund no longer holds any investment property, price risk is not deemed significant.

(ii) Currency risk

The Fund's transactions are carried out in Pounds Sterling. Therefore currency risk is not deemed significant.

b) Interest rate risk

The Fund's exposure to interest rate risk relates primarily to holdings of cash and cash equivalents. The Fund monitors this risk by reviewing regular statements received for its cash investments.

As the Fund has no other significant interest bearing assets or borrowings, its income and operating cash flows are substantively independent of changes in market interest rates.

**Industrial Real Estate Limited Partnership (Limited Partnership Number LP015247)
Report and Financial Statements**

Notes to the Financial Statements (continued)

9. Risk management (continued)

b) Interest rate risk (continued)

An interest rate risk profile of the Fund's financial assets and liabilities is provided below.

As at 31 December 2016	Fixed Interest £	Floating Rate Interest £	Non-interest Bearing £	Total £
Debtors	-	-	146,063	146,063
Cash at bank	-	3,862,161	-	3,862,161
Total financial assets	-	3,862,161	146,063	4,008,224
Creditors	-	-	(187,538)	(187,538)
Total financial liabilities	-	-	(187,538)	(187,538)
Net position	-	3,862,161	(41,475)	3,820,686

As at 31 December 2015	Fixed Interest £	Floating Rate Interest £	Non-interest Bearing £	Total £
Debtors	-	-	1,299,023	1,299,023
Cash at bank	-	2,108,783	-	2,108,783
Total financial assets	-	2,108,783	1,299,023	3,407,806
Creditors	-	-	(2,341,692)	(2,341,692)
Total financial liabilities	-	-	(2,341,692)	(2,341,692)
Net position	-	2,108,783	(1,042,669)	1,066,114

c) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. As the Fund no longer holds any investment property, credit risk relates to arrears in relation to tenants in occupation during the Fund's ownership of the portfolio.

The maximum credit risk from the rent receivables of the Fund at 31 December 2016 is £205,751 (2015: £596,359). There is no credit risk associated with the financial liabilities of the Fund.

With respect to credit risk arising from other financial assets of the Fund, which comprise cash and cash equivalents, the Fund's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying value of the instruments. This risk is mitigated by holding cash and cash equivalents with reputable banks and / or AAA rated counterparties. All cash and cash equivalents are available on demand.

Industrial Real Estate Limited Partnership (Limited Partnership Number LP015247)
Report and Financial Statements

Notes to the Financial Statements (continued)

9. Risk management (continued)

d) Liquidity risk

Liquidity risk is defined as the risk that the Company has insufficient financial resources to meet its commitments as they fall due, or can only secure them at excessive cost. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values or from the inability to generate cash inflows as anticipated.

Liquidity risk is managed in line with the Insurance Liquidity Risk Policy and the wider LBG Funding and Liquidity Risk Policy.

All debtor and current liability balances are expected to mature within one year during the normal course of business with the exception of amounts due to and from the General Partner which are repayable on demand but typically, for ease of administration, will only be settled on the winding up of the Fund.

All cash and cash equivalents are available on demand.

10. Related party transactions

No contract of significance existed at any time during the current or prior year in which a Director of the General Partner or key management personnel were materially interested or which requires disclosure as a related party transaction as defined under FRS 102 Section 33 'Related Party Disclosures'.

Lloyds Banking Group plc, through its wholly owned subsidiary, Scottish Widows Limited holds majority interest in the Fund and is therefore a related party of the Fund. A number of banking transactions are entered into with Lloyds Banking Group plc in the normal course of business including loans and deposits. As at the 31 December 2016 the Fund had £3,862,161 (2015: £2,108,783) on deposit in a corporate current account. During the year to 31 December 2016 the Fund had received £nil (2015: £nil) of interest from this account.

Aberdeen Asset Investments Limited (the "Operator and Fund Manager"), is a related party by virtue of the Operating Agreement with the Fund and charges the Fund a quarterly Operator fee. The total charge for the year was £85,080 (2015: £273,764) of which £10,106 (2015: £72,076) remains payable as at the year end date. Further details are set out in Note 4. The Operator is entitled to a share of insurance commissions earned by the Fund. During the year the Fund paid £4,924 (2015: £52,881) insurance commissions to the Operator.

The General Partner, Industrial Real Estate (General Partner) Limited (the "Company"), is a related party to the Fund by virtue of control over the operating and financial policies, as set out in the Limited Partnership Agreement. For the year ended 31 December 2016 £8,159 (2015: £5,968) was owed to the Partnership by the Company in respect of invoices paid by the Partnership on behalf of the Company. The Company also owes the Partnership £1 (2015: £1) relating to its investment in the Partnership.

By virtue of its investment in the Fund, Industrial Real Estate Unit Trust ("the Trust"), the Limited Partner, is a related party to the Fund. During the year, the total income distribution to the Trust was £14,697,507 (2015: £1,782,678) of which £nil (2015: £727,970) remains payable as at the year end date.

Following the sale of the property portfolio, the full capital investment was returned to the Industrial Real Estate Unit Trust by way of a capital distribution of £38,334,706 (2015: £nil).

There were no other material transactions entered into by the Fund with related parties for the year ended 31 December 2016 (2015: none).

11. Ultimate controlling party

The immediate parent of the Fund is Industrial Real Estate Unit Trust, a unit trust established under the Trust (Guernsey) Law, 1989.

Lloyds Banking Group plc, through its wholly owned subsidiary, Scottish Widows Limited, hold majority interest in the Trust and are therefore the Ultimate controlling party. Copies of the consolidated annual report and accounts of Lloyds Banking Group plc may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.