

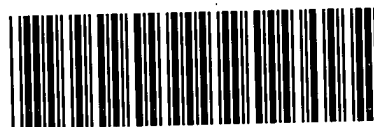
Industrial Real Estate (General Partner) Limited

Report and Financial Statements

Year ended 31 December 2014

Company registration number 08180071

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**Industrial Real Estate (General Partner) Limited
Report and Financial Statements**

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Industrial Real Estate (General Partner) Limited
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Company Information

Board of Directors	Mr James Edward Clatworthy Mr Ian Ross McGowan
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

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 2014.

Strategic Report

Principal activities and review of the business

The Company was incorporated on 15 August 2012 under the Companies Act 2006.

The principal activity of the Company is to act as the General Partner to the Industrial Real Estate Limited Partnership ("the Partnership"), which invests in industrial properties in the UK which the General Partner considers offer potential to deliver attractive returns within an acceptable risk profile.

The key performance indicator for the Partnerships results is the IPD All Monthly and Quarterly Valued Industrials, supplied by IPD, an independent company that supplies independent market indices and portfolio benchmarks to the real estate industry. The IPD total return for 2014 for the Industrial Real Estate Limited Partnership was 24.3% versus the benchmark return of 22.7%. This relative outperformance of 1.3% is a result of asset management activity across the portfolio. In addition the demand for multi let industrial estates remains strong in light of rental growth from increased occupier demand and lack of industrial property supply. This increased demand for multi let industrial estates has resulted in a movement in of investment yields of between 100 – 150 bases points during 2014 for secondary industrial estates. This replicates the market movement in 2013.

Results and dividend

The loss after taxation for the financial year to 31 December 2014, as set out on page 8, is £2,150 (2013: £755). The Directors do not recommend the payment of a dividend and the loss for the year has been transferred to reserves.

Financial instruments

The financial risk management objectives and policies of the Company and the exposure to market risk, credit risk and liquidity risk are covered in note 10 to the financial statements.

Future Outlook

We expect yields to move in further as a continued weight of money chases well let secondary industrial estates with asset management angles. Total returns should also benefit from rental growth as there is a continued lack of supply across the industrial sector which is pushing up rents. The fund is well placed to benefit from such market conditions with an acceptable level of vacancy and lease events that will take advantage of these market conditions and crystallise higher rents and capital growth.

Going concern

The financial statements have been prepared under the going concern principle on the basis that the Company has sufficient resources from its parent undertaking should it require to meet its liabilities. This commitment will last for a period of 12 months following the approval of the statutory financial statements of the Company.

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:

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Directors' Report (continued)

Directors (continued)

Director	Date of Appointment	Date of Resignation
Darryl Ian Tidd	-	31 December 2014
Nicholas James Patrick Ireland	-	31 December 2014
James Edward Clatworthy	16 July 2014	-
Ian Ross McGowan	16 July 2014	-

Particulars of the Directors' emoluments and interest in shares are given in note 11 to the financial statements.

Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the next meeting.

On behalf of the Board of Directors



Director
24 March 2015

Ian Ross McGowan

Industrial Real Estate (General Partner) Limited Report and Financial Statements

Statement of Directors' Responsibilities

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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union, and IFRSs as issued by the International Accounting Standards Board (IASB), have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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. 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.

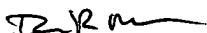
Disclosure of information to auditors:

In the case of each of the persons who are Directors of the Company at the time when this report was approved, the following applies:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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



Director
24 March 2015

Ian Ross McGowan

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 2014 and of its loss 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.
-

What we have audited

Industrial Real Estate (General Partner) Limited's financial statements comprise:

- the Statement of Financial Position as at 31 December 2014;
- 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 applicable law and IFRSs as adopted by the European Union.

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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

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.

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

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.



Stephanie Cowie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
24 March 2015

Industrial Real Estate (General Partner) Limited
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Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 £	2013 £
Revenue			
Investment income		-	-
Expenses			
Administrative expenses	3	(2,150)	(755)
Loss before tax		<u>(2,150)</u>	<u>(755)</u>
Taxation	4	<u>-</u>	<u>-</u>
Loss after tax attributable to owners		<u><u>(2,150)</u></u>	<u><u>(755)</u></u>

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

The notes on pages 11 to 15 form an integral part of these financial statements.

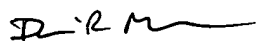
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Statement of Financial Position

As at 31 December 2014

	Note	2014 £	2013 £
Assets			
Non current assets			
Investments	5	3	3
Amounts due from group undertakings	6	2	2
Total assets		<u>5</u>	<u>5</u>
Equity and liabilities			
Capital and reserves			
Called up share capital	9	2	2
Reserves		<u>(4,655)</u>	<u>(2,505)</u>
Total equity		<u>(4,653)</u>	<u>(2,503)</u>
Liabilities			
Current liabilities			
Trade and other payables	7	1,400	1,270
Non current liabilities			
Amounts due to group undertakings	8	3,258	1,238
Total liabilities		<u>4,658</u>	<u>2,508</u>
Total equity and liabilities		<u>5</u>	<u>5</u>

The financial statements on pages 8 to 15 were approved by the Board of Directors at a meeting on 24 March 2015 and signed on its behalf by:



Ian Ross McGowan
 Director

Company number: 08180071

The notes on pages 11 to 15 form an integral part of these financial statements.

Industrial Real Estate (General Partner) Limited
Report and Financial Statements

Statement of Changes in Equity

For the year ended 31 December 2014

	Called up share capital £	Retained losses £	Total £
Balance as at 1 January 2014	2	(2,505)	(2,503)
Net loss for the year	-	(2,150)	(2,150)
Balance as at 31 December 2014	<u>2</u>	<u>(4,655)</u>	<u>(4,653)</u>

For the year ended 31 December 2013

	Called up share capital £	Retained losses £	Total £
Balance as at 1 January 2013	2	(1,750)	(1,748)
Net loss for the year	-	(755)	(755)
Balance as at 31 December 2013	<u>2</u>	<u>(2,505)</u>	<u>(2,503)</u>

The notes on pages 11 to 15 form an integral part of these financial statements

Industrial Real Estate (General Partner) Limited

Report and 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 ("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. In the Directors' view, it is appropriate to prepare these financial statements on a going concern basis because the Company has sufficient resources available from its parent undertakings should it require to meet its liabilities.

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

Standards and amendments to existing standards effective 1 January 2014

The following standards, amendments to and interpretations of published standards have been issued and are relevant to the Company's operations:

- IFRS 10, 'Consolidated financial statements'.
- IFRS 12, 'Disclosures of interests in other entities'.
- IFRIC 21, 'Levies'.
- Amendment to IAS 32, 'Financial instruments: Presentation'.
- Amendment to IAS 36, 'Impairment of assets'.
- Amendment to IAS 39, 'Financial instruments: Recognition and Measurement'.

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 2014 but the Company has not elected to adopt early:

- Amendments to IFRS 9, 'Financial instruments' (effective 1 January 2018).
- IFRS 15 'Revenue from contracts with customers' (effective 1 January 2017).

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 2014 that are relevant to the Company.

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.

**Industrial Real Estate (General Partner) Limited
Report and Financial Statements**

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

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. Administrative expenses

These include remuneration of the auditors in respect of the audit of the financial statements for the year ended 31 December 2014 £1,400 (2013: £1,270).

The auditors received no fees in respect of non-audit services to the Company (2013: £nil).

The Company had no employees during the year (2013: none).

4. Taxation

The Company is subject to the UK current rate of Corporation Tax. No charge (2013: Nil) was incurred for the current year and deferred tax on losses was not recognised.

Industrial Real Estate (General Partner) Limited
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Notes to the Financial Statements (continued)

5. Investments

	2014	2013
	£	£
Industrial Real Estate Limited Partnership	1	1
Industrial Real Estate (Nominee) Limited	2	2
	<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 principal activity of the Partnership is that of property investment.

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.

6. Amounts due from group undertakings

	2014	2013
	£	£
Amounts due from Scottish Widows plc	2	2
	<u>2</u>	<u>2</u>

The amounts due from the group undertakings are repayable on demand. However, 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. These amounts have therefore been classified on the face of the Statement of Financial Position as non current assets.

7. Trade and other payables

	2014	2013
	£	£
Audit fee accrual	1,400	1,270
Other accruals	-	-
	<u>1,400</u>	<u>1,270</u>

8. Amounts due to group undertakings

	2014	2013
	£	£
Amounts due to Industrial Real Estate LP	3,256	1,236
Amounts due to Industrial Real Estate (Nominee) Limited	2	2
	<u>3,258</u>	<u>1,238</u>

The amounts due to group undertakings are repayable on demand. However, 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. These amounts have therefore been classified on the face of the Statement of Financial Position as non current liabilities.

Industrial Real Estate (General Partner) Limited
Report and Financial Statements

Notes to the Financial Statements (continued)

9. Called up share capital

	2014	2013
	£	£
Issued and paid up		
2 Ordinary Shares of £1 each	2	2
	<hr/> 2	<hr/> 2

10. Financial instruments and financial 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 plc 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.

b) Financial risks

(1) Market risk

Market risk includes the risk of fair value changes in the value of assets and liabilities from fluctuations in market prices and currency risk through fluctuations in foreign exchange rates.

(i) Price risk

The Company is exposed to property market risks, indirectly through its investment in the Partnership. These risks include adverse investment and occupier markets which could cause the value of the investment properties or rental income streams to reduce. These factors are beyond the Partnership's control. However, the Partnership can manage this risk by the management of leasing terms and the number of tenancies.

(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 the Partnership, a group entity, therefore credit risk is not deemed to be significant. The Partnership is not a listed company and therefore is outside the scope of credit ratings. 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 the risk that an entity will encounter difficulty in raising funds to meet its cash commitments as they fall due. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; from a counterparty defaulting on repayment of a contractual obligation; or from the inability to generate cash inflows as anticipated.

Industrial Real Estate (General Partner) Limited
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Notes to the Financial Statements (continued)

10. Financial instruments and financial risk management (continued)

(3) Liquidity risk (continued)

Liquidity risk is managed in line with the Lloyds Banking Group plc High Level Group Liquidity and Funding Policy. Lloyds Banking Group plc manages its liquidity risk within the risk appetite as defined by its Board and to ensure that it can in all circumstances meet its obligations as they fall due.

(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.

11. 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 (2013: £nil).

None of the Directors who held office during the year had any interest in the shares of the Company (2013: none).

Scottish Widows plc owns the entire share capital of the Company and therefore is a related party to the Company. As at 31 December 2014, £2 (2013: £2) was due from Scottish Widows plc 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 (2013: £nil). For the year ended 31 December 2014 £3,255 (2013: £1,235) 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 (2013: £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 (2013: £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 2014 (2013: none).

12. Immediate and ultimate parent undertaking

The Company's immediate parent undertaking is Scottish Widows plc, a company registered in the United Kingdom.

Lloyds Banking Group plc is the ultimate parent company and ultimate controlling party of Scottish Widows plc. Copies of the Lloyds Banking Group plc financial statements in which the Company is consolidated can be obtained from the Group Secretary's Department, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN.