

PIHL Property LLP

Report and Financial Statements
Year ended
5 April 2016

Registered number OC318448

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PIHL PROPERTY LLP

Annual report and financial statements for the year ended 5 April 2016

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Designated Members

N W Wray
Pumpkin General Partner Limited

Registered office

Cavendish House, 18 Cavendish Square, London W1G 0PJ

Registration number

OC318448

Auditors

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 OPA

PIHL PROPERTY LLP

Report of the members for the year ended 5 April 2016

The designated members present their report together with the audited financial statements of PIHL Property LLP (the "LLP") for the year ended 5 April 2016.

Results

The income statement is set out on page 9 and shows a loss for the year before member's remuneration of £9.4m (2015: profit of £45.7m).

Business review

The principal activity of the LLP is investment in real estate and real estate-backed corporate and other investments. All operations are within the United Kingdom, though the operations of the underlying investments are not restricted to the United Kingdom.

UK investments

The LLP holds an interest in the shares of Secure Income REIT Plc ("SIR"), a UK REIT listed on AIM which specialises in investing in real estate assets providing long term rental income and offering protection against inflation. The LLP's interest in SIR was 23.6% at the start of the year but was reduced to 12.5% following a disposal of shares in March 2016, following which the investment in SIR had a fair value of £51.5m at the year end. Following the sale and at the balance sheet date, the £50.4m net proceeds of the sale had been loaned to certain members as an advance of the preferred return payable on the B capital.

The LLP is party to an agreement under which its remaining capital commitments to Prestbury 1 LP, a partnership in which it holds a 26.7% interest, are to be satisfied by quarterly subscriptions for shares in SIR at amounts equal to the management fees payable by SIR to its investment adviser. The LLP acquired a further four shares in SIR under this agreement for total cash consideration of £1.4m during the year, and has acquired a further share for cash consideration of £0.4m since the year end, after which the LLP has no further obligations to subscribe for shares in SIR. At the date of this report, the LLP's remaining undrawn commitment to Prestbury 1 LP is £0.4m.

Barbados investments

The LLP wholly owns PIHL One Limited ("PIHL One") which holds a 50% legal ownership and a 40% economic interest in Holetown Group Limited ("Holetown"), which in turn owns a development site in Barbados. Holetown has net liabilities so this investment is held at nil value on the balance sheet.

A partnership in which PIHL One holds a 50% interest also holds secured debt with a face value of US\$48.7m provided to a subsidiary of Holetown, purchased in 2014 for cash consideration of US\$25.5m, of which PIHL One's 50% share at that date was £7.8m. PIHL One is therefore indirectly both lender to and investor in the group headed by Holetown. The members currently anticipate that the loan will be fully recoverable from the ultimate proceeds of the Holetown development so the loan is held at its cost of £7.8m on the balance sheet.

PIHL PROPERTY LLP

Report of the members for the year ended 5 April 2016 (continued)

Business review

Results for the year

The loss of £9.4m largely reflects a revaluation loss on the investment in SIR, reflecting a fall in SIR's share price from 303p per share to 270p per share in the year, amounting to a £7.6m loss recognised in the income statement. By contrast a £34.2m gain was recognised in 2015.

The loss in the year also includes a loss on disposal of £1.3m on the sale of SIR shares mentioned above and an impairment of £0.4m on further amounts advanced to PIHL One relating to the Hometown development.

Designated members and other members

Members of the LLP in the year were as follows:

Pumpkin General Partner Limited (Designated Member)

N W Wray (Designated Member) *

Brendon Retirements Benefit Scheme *

Damor Investments Limited Re Designated Account P0607 *

Damor Investments Limited Re Designated Account P0608 *

T J Evans

Leslau Funded Unapproved Retirement Benefit Scheme

Priory Foundation *

RBC Trust Company (International) Limited as trustee of the Sage Holdings Trust

PIHL Property Holdings Limited

Prestbury SIR 1 Limited

Prestbury SIR 2 Limited

Prestbury SIR 3 Limited

A H Warwick and N M Leslau as trustees of The N M Leslau Settlement - 21 October 1997

* Members holding a legal interest in the LLP whose beneficial interest was held by Lesray LLP at the balance sheet date.

PIHL PROPERTY LLP

Report of the members for the year ended 5 April 2016 (continued)

Policies in relation to capital and drawings

Policies for members' profit shares, distributions, subscriptions for and repayment of members' capital are set out in the limited liability partnership agreement ("the LLP agreement") dated 4 July 2006 and are summarised below:

Capital

Each member has contributed A capital as its initial contribution to the capital of the LLP. Save as expressly provided in the LLP agreement, no member shall make any further contributions to the A capital of the LLP, unless unanimously approved by all the members. Interest is not paid on the capital invested. The A capital carries voting rights.

A member shall not have the right to the return of the whole or any part of its A capital except (if available) upon the winding up or other dissolution of the LLP or upon retirement, following a unanimous resolution of all members.

The members have agreed to contribute B capital to the capital of the LLP up to a maximum of £100 million in cash when requested. The B capital does not carry voting rights.

In return for contributing the B capital, the members are entitled to a priority profit share equivalent to a return on equity invested of 9% per annum compounded annually (the "profit share"), provided that the underlying investments held by the LLP in aggregate generate a cash return in excess of 9% per annum.

The LLP may return the B capital to the members at any time in accordance with the terms of the LLP agreement.

Members' profit shares and distributions

Any profits or losses available to the LLP shall be allocated amongst the members first up to the amount of the accrued profit share in respect of the drawn B capital up to the date of the relevant allocation and then (if any balance remains) pro rata to their respective holdings of A capital.

Report of the members for the year ended 5 April 2016 (continued)

Statement of members' responsibilities in respect of the financial statements

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulation.

The Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under these regulations the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under these regulations the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that year. In preparing those financial statements, the members are required to:

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

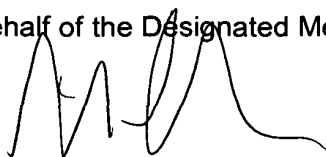
The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions, disclose with reasonable accuracy at any time the financial position of the LLP, and enable them to ensure that the financial statements comply with the Limited Liability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

These responsibilities are fulfilled by the designated members on behalf of all the members.

Auditors

BDO LLP have expressed their willingness to continue in office.

On behalf of the Designated Members



N M Leslau (as director of Pumpkin General Partner Limited)
Designated Member

15 November 2016

PIHL PROPERTY LLP

Independent auditor's report to the members of PIHL Property LLP

We have audited the financial statements of PIHL Property LLP for the year to 5 April 2016 which comprise the income statement, the statement of changes in members' interests and the balance sheet. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102").

This report is made solely to the LLP's members, as a body, in accordance with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 5 April 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 limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

PIHL PROPERTY LLP

Independent auditor's report to the members of PIHL Property LLP (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the members were not entitled to prepare the financial statements in accordance with the small limited liability partnerships' regime.



Russell Field (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
United Kingdom

15 November 2016

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

PIHL PROPERTY LLP

Income statement for the year ended 5 April 2016

	Note	Year ended 5 April 2016 £	Year ended 5 April 2015 £
Administrative expenses		(19,021)	(13,807)
Impairment of loan to subsidiary undertaking		(427,441)	(2,375,526)
Loss on disposal of fixed asset investments		(1,343,133)	-
Surplus on exchange of loan participations for fixed asset investments		-	14,798,615
Fair value movements on fixed asset investments	6	(7,602,280)	34,243,123
Operating (loss) / profit	5	(9,391,875)	46,652,405
Interest receivable and similar income		2	2
(Loss) / profit for the financial year before members' remuneration		(9,391,873)	46,652,407
Members' remuneration charged as an expense		-	(46,652,407)
(Loss) / profit and total comprehensive (loss) / income for the financial year available for discretionary division among members		(9,391,873)	-

All amounts relate to continuing activities.

The notes on pages 12 to 18 form part of the financial statements.

PIHL PROPERTY LLP

Statement of changes in members' interests for the year ended 5 April 2016

	Equity A capital £	Liabilities B capital £	Total £
At 6 April 2015	5,717	118,501,176	118,506,893
Loss for the year	-	(9,391,873)	(9,391,873)
Members' interests after loss for the year	5,717	109,109,303	109,115,020
B capital introduced in the year	-	1,857,949	1,857,949
At 5 April 2016	<u>5,717</u>	<u>110,967,252</u>	<u>110,972,969</u>

	Equity A capital £	Liabilities B capital £	Total £
At 6 April 2014	5,717	60,238,586	60,244,303
Members remuneration charged charged as an expense	-	46,652,407	46,652,407
Members' interests after profit for the year	5,717	106,890,993	106,896,710
B capital introduced in the year	-	11,610,183	11,610,183
At 5 April 2015	<u>5,717</u>	<u>118,501,176</u>	<u>118,506,893</u>

The loans and other debts due to members outstanding at the year end would rank equally with any unsecured creditors in the event of a winding up.

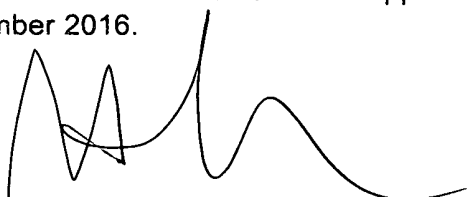
The notes on pages 12 to 18 form part of the financial statements.

Balance sheet at 5 April 2016

	Note	5 April 2016 £	5 April 2015 £
Fixed assets			
Investment in subsidiary undertaking	6	1	1
Investment in limited partnership	6	1,000	1,000
Listed investment	6	51,449,233	109,346,608
		51,450,234	109,347,609
Current assets			
Debtors	7	59,530,796	9,180,796
Cash at bank and in hand		12,249	988
		59,543,045	9,181,784
Creditors: amounts falling due within one year	8	(20,310)	(22,500)
Net current assets		59,522,735	9,159,284
NET ASSETS ATTRIBUTABLE TO MEMBERS		110,972,969	118,506,893
REPRESENTED BY:			
Loans and other debts due to members within one year:			
Members' capital classified as a liability		110,967,252	118,501,176
Equity:			
Members' capital classified as equity		5,717	5,717
TOTAL MEMBERS' INTERESTS		110,972,969	118,506,893

These financial statements have been prepared in accordance with the provisions applicable to small entities as applied to limited liability partnerships.

The financial statements were approved by the members and authorised for issue on 15 November 2016.



N M Leslau (as director of Pumpkin General Partner Limited)
Designated member

The notes on pages 12 to 18 form part of the financial statements.

PIHL PROPERTY LLP

Notes forming part of the financial statements for the year ended 5 April 2016

1 General information

PIHL Property LLP is a limited liability partnership established in England. The registered office is Cavendish House, 18 Cavendish Square, London, W1G 0PJ.

2 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with section 1A of FRS 102 and the Statement of Recommended Practice "Accounting by Limited Liability Partnerships (July 2014)". FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015 and therefore this is the first period in which the financial statements have been prepared under FRS 102.

Information on the first time adoption of FRS 102 section 1A is given in note 12.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the members to exercise judgement in applying the LLP's accounting policies. The areas involving a higher degree of judgement and where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Basis of non-consolidation

The LLP is exempt from the requirement to prepare consolidated financial statements by virtue of the exemption available under section 398 of the Companies Act 2006, as the group it heads qualifies as a small group in respect of the financial period. These financial statements therefore present information about the LLP as an individual undertaking and not about its group.

Fixed asset investments

Fixed asset investments are recognised at cost and are subsequently remeasured at fair value. The resulting gain or loss is recognised in the income statement.

Debtors

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

Creditors

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

PIHL PROPERTY LLP

Notes forming part of the financial statements for the year ended 5 April 2016 (continued)

2 Accounting policies (continued)

Cash flow statement

The LLP has taken the exemption under FRS 102 Section 1A from the requirement to produce a cash flow statement as it is a small entity.

Tax

The financial statements do not incorporate any charge or liability for tax on the results of the LLP, as the relevant tax is the responsibility of the individual members.

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

Accounting policies which have a significant bearing on the reported financial condition and results of the LLP may require subjective or complex judgements. The principal ongoing area of judgement is the valuation of the LLP's investment in Secure Income REIT Plc ("SIR"). This valuation requires the members to estimate the effect on the SIR share price of certain lock-in arrangements and the discount that would be required in order to sell the shares in a block trade, given that the investment represents a material holding in SIR.

4 Members' profit shares

All profits and losses are allocated to members in accordance with the provisions of the LLP agreement and no member received any salaried remuneration in either the current year or the prior year.

The average number of members during the year was 14 (2015: 13), of which two (2015: two) were designated members.

5 Operating (loss) / profit

	Year ended 5 April 2016 £	Year ended 5 April 2015 £
The operating (loss) / profit is arrived at after charging:		
Auditors' remuneration - audit services	<u>10,305</u>	<u>7,200</u>

The LLP did not have any employees in either the current year or the prior year.

PIHL PROPERTY LLP

Notes forming part of the financial statements for the year ended 5 April 2016 (continued)

6 Fixed asset investments

Investment in subsidiary undertaking £

At 5 April 2016 and 5 April 2015 1

The LLP owns 100% of PIHL One Limited, registered in England, whose principal activity is acting as a holding company for a property investment group. The members consider that the fair value of the investment is equal to its cost.

Investment in limited partnership £

At 5 April 2016 and 5 April 2015 1,000

In 2006 the LLP made a capital contribution of £1,000 to Prestbury 1 LP ("P1 LP"), an investment partnership established to invest in real estate and similar opportunities. The LLP holds a 26.67% (2015: 26.67%) limited partner interest in P1 LP, which may ultimately dilute to a 20% (2015: 20%) interest, but only after all limited partners have earned a 9% internal rate of return on any cash invested in the form of loan participations (see note 7). The members consider that the fair value of the investment is equal to its cost.

Listed investment £

At 5 April 2015	109,346,608
Additions	1,409,327
Disposal	(51,704,422)
Revaluation	(7,602,280)

At 5 April 2016 51,449,233

The listed investment represents a 12.5% (2015: 23.6%) interest in Secure Income REIT Plc ("SIR"), a UK REIT listed on AIM. The fair value of the investment in SIR as at 5 April 2016 reflects a discount of approximately 15% to the SIR share price at the balance sheet date, principally resulting from the impact of certain lock-in arrangements and the fact that the shares represent a material holding in SIR and therefore would have to be sold in a block trade.

During the year, the LLP subscribed for four shares in SIR at a cost of £1.4m (2015 - four shares at a cost of £0.9m) under the terms of a commitment agreement with P1 LP and SIR.

PIHL PROPERTY LLP

Notes forming part of the financial statements for the year ended 5 April 2016 (continued)

6 Fixed asset investments (continued)

At 5 April 2016, the historic cost of the investment in SIR was £40.5m (2015: £75.1m). In March 2016, SIR carried out a secondary placing of its shares, in which the LLP sold just under 50% of its holding in SIR which resulted in a loss on disposal as follows:

	Year ended 5 April 2016 £	Year ended 5 April 2015 £
Sale proceeds	51,389,071	-
Cost of sale	(1,027,782)	-
Book value of disposal	(51,704,422)	-
	<u>(1,343,133)</u>	<u>-</u>

7 Debtors

	5 April 2016 £	5 April 2015 £
<i>Due within one year</i>		
Amounts due from members	50,350,000	-
Other debtors	12	12
<i>Due after more than one year</i>		
Loan participations in limited partnership	1,345,188	1,345,188
Loans to subsidiary undertaking	7,835,596	7,835,596
	<u>59,530,796</u>	<u>9,180,796</u>

Amounts due from members are unsecured, interest free and repayable on demand. The balance represents the proceeds from the sale of SIR shares described in note 6.

The loan participations are in Prestbury 1 LP ("P1 LP"), and are unsecured, do not bear interest and have no fixed repayment date. They are repayable out of any cash distributions made by P1 LP following the disposal of its assets. The LLP had undrawn capital commitments of £1.8m (2015: £3.2m) to P1 LP at the balance sheet date. Since the balance sheet date, the LLP paid a further £0.4m of these undrawn commitments and the outstanding amount was subsequently reduced to £0.4m.

Loans to subsidiary undertaking are unsecured, do not bear interest and have no fixed repayment date. The loans are shown net of an impairment of £4.3m (2015: £3.9m) to reflect the net liabilities of the subsidiary undertaking.

PIHL PROPERTY LLP

Notes forming part of the financial statements for the year ended 5 April 2016 (continued)

8 Creditors: Amounts falling due within one year

	5 April 2016 £	5 April 2015 £
Trade creditors	5,700	-
Accruals and deferred income	14,610	22,500
	<u>20,310</u>	<u>22,500</u>

9 Financial assets and liabilities

The LLP's financial assets and liabilities are as follows:

	5 April 2016 £	5 April 2015 £
Financial assets		
Financial assets that are debt instruments measured at fair value through profit or loss	<u>51,449,233</u>	<u>109,346,608</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(20,310)</u>	<u>(22,500)</u>

Financial assets measured at fair value through profit or loss comprise fixed asset investments in Secure Income REIT Plc. Financial liabilities measured at amortised cost comprise trade creditors and accruals.

Financial risk management

Through the LLP's operations it is exposed to certain risks. The exposure to each risk considered potentially material to the LLP, how it arises and, where applicable, the policy for managing it is summarised below:

(a) Market risk

The LLP's investment in SIR is carried at fair value which discounts the quoted share price at each reporting date by an amount to reflect any restrictions on the sale of those shares and the need to sell them in a block trade. The LLP is exposed to movements in both SIR's share price and the discount applied in arriving at fair value, which are dependent upon factors outside the control of the LLP.

(b) Liquidity risk

Working capital must be managed to ensure that the LLP is able to meet their liabilities as they fall due. The LLP's operating cash flows are generally predictable and in the absence of cash held, will be funded by contributions from members.

PIHL PROPERTY LLP

Notes forming part of the financial statements for the year ended 5 April 2016 (continued)

10 Related party transactions

During the year the members contributed B capital to the LLP of £1,857,949 (2015: £11,610,183).

11 Ultimate controlling party

As at 5 April 2016 no single member had a controlling interest in respect of the business undertaken by the LLP.

PIHL PROPERTY LLP

Notes forming part of the financial statements for the year ended 5 April 2016 (continued)

12 First time adoption of FRS 102

	As previously stated	Effect of transition	Restated under FRS 102
	£	£	£
6 April 2014			
Fixed asset investments	1,001	-	1,001
Current assets	60,259,306	-	60,259,306
Creditors: amounts falling due within one year	(16,004)	-	(16,004)
Net assets	60,244,303	-	60,244,303
Members' interests	60,244,303	-	60,244,303
5 April 2015			
Fixed asset investments *	75,104,486	34,243,123	109,347,609
Current assets	9,181,784	-	9,181,784
Creditors: amounts falling due within one year	(22,500)	-	(22,500)
Net assets	84,263,770	34,243,123	118,506,893
Members' interests	84,263,770	34,243,123	118,506,893
Year ended 5 April 2015			
Administrative expenses	(13,807)	-	(13,807)
Impairment of loan to subsidiary undertaking	(2,375,526)	-	(2,375,526)
Surplus on exchange of loan participations for fixed asset investments	14,798,615	-	14,798,615
Fair value movements on fixed asset investments *	-	34,243,123	34,243,123
Operating profit and profit on ordinary activities before interest	12,409,282	34,243,123	46,652,405
Interest receivable and similar income	2	-	2
Profit for the year before members' remuneration	12,409,284	34,243,123	46,652,407
Members' remuneration charged as an expense *	(12,409,284)	(34,243,123)	(46,652,407)
Profit for the financial year	-	-	-

* Fixed asset investments are shown at fair value under FRS 102 rather than historic cost.