

PIHL Property LLP

Report and Financial Statements

Year ended

5 April 2018

Registered number

OC318448

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PIHL PROPERTY LLP

Annual report and financial statements for the year ended 5 April 2018

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Designated Members

N W Wray
Pumpkin LP

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 2018

The designated members present their report together with the audited financial statements of PIHL Property LLP (the "LLP") for the year ended 5 April 2018.

Results

The income statement is set out on page 9 and shows a profit for the year before members' remuneration of £13.2 million (2017: £19.9 million).

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 the AIM market of the London Stock Exchange. SIR specialises in investing in real estate assets providing long term rental income offering protection against inflation. The LLP's interest in SIR was 9.9% at the start of the year and 7.0% at the end of the year following a share placing by SIR in March 2018 in which the LLP did not participate. The investment in SIR had a fair value of £76.6 million at the year end, an increase of 13% over the year, and the LLP received £3.1 million in cash distributions from SIR during the year.

The LLP also holds a 26.7% interest in Prestbury 1 LP ("P1 LP"), which is expected shortly to be wound up in a solvent process following the sale of its last investment during the year, after which the LLP's £1.4 million loan participation in P1 LP was repaid and a distribution of £2.1 million was received. The LLP's investment in P1 LP, which was previously held at its cost of £1,000, has been revalued to £285,000 to reflect the LLP's share of the cash balance and other net assets remaining in P1 LP at the balance sheet date and which are expected to be distributed by P1 LP in the near term.

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 in these financial statements.

A partnership in which PIHL One holds a 50% interest also holds secured debt with a face value of US\$48.7 million provided to a subsidiary of Holetown, purchased in 2014 for cash consideration of US\$25.5 million, of which PIHL One's 50% share at that date was £7.8 million. 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 on the balance sheet at its cost of US\$12.8 million, which at the year end exchange rate was equivalent to £9.1 million.

PIHL PROPERTY LLP

Report of the members for the year ended 5 April 2018 (continued)

Business review

Results for the year

The profit of £13.2 million largely comprises dividends of £3.1 million received from SIR and a revaluation gain of £9.0 million on the investment in SIR, reflecting an increase in SIR's share price from 346p per share to 371p per share in the year. In addition, the profit includes a revaluation gain of £0.3 million on the investment in P1 LP and a distribution of £2.1 million received from P1 LP, offset by a £1.2 million impairment loss on the loan to PIHL One resulting largely from the exchange loss on the loan asset relating to the Hometown development, which is denominated in US dollars.

During the year, the LLP made distributions totalling £6.6 million. The movement in profit net of these distributions resulted in an increase in net assets from £79.3 million to £86.1 million during the year.

Designated members and other members

Members of the LLP in the year and to the date of this report were as follows:

Designated members

Pumpkin LP

N W Wray

Other members

Brendon Retirement Benefits Scheme

Damor Investments Limited Re Designated Account P0607

Damor Investments Limited Re Designated Account P0608

T J Evans

Leslau Funded Unapproved Retirement Benefit Scheme

The N M Leslau Settlement - 21 October 1997

PIHL Property Holdings Limited

Prestbury SIR 1 Limited

Prestbury SIR 2 Limited

Prestbury SIR 3 Limited

Priory Foundation

The Sage Holdings Trust

PIHL PROPERTY LLP

Report of the members for the year ended 5 April 2018 (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.

PIHL PROPERTY LLP

Report of the members for the year ended 5 April 2018 (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.

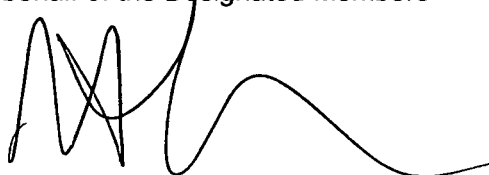
The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions, disclose with reasonable accuracy at any time the financial position of the LLP, and enable them to ensure that the financial statements comply with the Limited Liability 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, general partner of Pumpkin LP)
Designated Member

29 November 2018

PIHL PROPERTY LLP

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

Opinion

We have audited the financial statements of PIHL Property LLP (the "LLP") for the year ended 5 April 2018 which comprise the income statement, the statement of changes in members' interests, the balance sheet and related notes. 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 (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 5 April 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the LLP in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the LLP's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

PIHL PROPERTY LLP

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

Other information

The members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the LLP, 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.

Responsibilities of members

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, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

PIHL PROPERTY LLP

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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.

BDO LLP

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

29 November 2018

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 2018**

	Note	Year ended 5 April 2018 £000	Year ended 5 April 2017 £000
Administrative expenses		(14)	(17)
Fair value movements in fixed asset investments	6	9,267	15,785
Distributions received from fixed asset investments		5,204	2,067
Impairment of loan to subsidiary undertaking arising from:			
- Foreign exchange movements on loan asset in subsidiary undertaking		(1,151)	2,400
- Other		(113)	(354)
Profit for the financial year before members' remuneration		13,193	20,235
Members' remuneration charged as an expense		(13,193)	(20,235)
Profit and total comprehensive income for the financial year available for discretionary division among members		-	-

All amounts relate to continuing activities.

The notes on pages 12 to 17 form part of the financial statements.

PIHL PROPERTY LLP**Statement of changes in members' interests for the year ended 5 April 2018**

	A capital £000	B capital £000	Total £000
At 6 April 2017	6	79,340	79,346
Members' remuneration charged as an expense	-	13,193	13,193
Members' interests after profit for the year	6	92,533	92,539
B capital introduced in the year	-	102	102
Distributions	-	(6,551)	(6,551)
At 5 April 2018	6	86,084	86,090
	A capital £000	B capital £000	Total £000
At 6 April 2016	6	110,967	110,973
Members' remuneration charged as an expense	-	19,881	19,881
Members' interests after profit for the year	6	130,848	130,854
B capital introduced in the year	-	742	742
Distributions	-	(52,250)	(52,250)
At 5 April 2017	6	79,340	79,346

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 17 form part of the financial statements.

Balance sheet at 5 April 2018

	Note	5 April 2018 £000	5 April 2017 £000
Fixed assets			
Investment in subsidiary undertaking	6	-	-
Investment in limited partnership	6	282	1
Listed investment	6	76,611	67,625
		76,893	67,626
Current assets			
Debtors	7	9,171	11,711
Cash at bank and in hand		44	26
		9,215	11,737
Creditors: amounts falling due within one year	8	(18)	(17)
Net current assets		9,197	11,720
NET ASSETS ATTRIBUTABLE TO MEMBERS		86,090	79,346
REPRESENTED BY:			
Loans and other debts due to members within one year:			
Members' capital classified as a liability (B capital)		86,084	79,340
Equity:			
Members' capital classified as equity (A capital)		6	6
TOTAL MEMBERS' INTERESTS		86,090	79,346

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 29 November 2018.



N M Leslau (as director of Pumpkin General Partner Limited, general partner of Pumpkin LP)
Designated member

The notes on pages 12 to 17 form part of the financial statements.

PIHL PROPERTY LLP

Notes forming part of the financial statements for the year ended 5 April 2018

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.

Amounts in the financial statements are presented in Pounds Sterling and have been rounded to the nearest thousand unless otherwise indicated.

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 (January 2017)".

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

Investments, including investments in listed company shares which have been classified as fixed asset investments as the Group intends to hold them on a continuing basis, are initially recognised at cost. Subsequently they are measured at fair value with movements recognised through the income statement. The changes in fair value attributable to changes in own credit risk are not considered to be material.

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 2018 (continued)

2 Accounting policies (continued)

Members' remuneration charged as an expense

The profits of the LLP are automatically allocated to members as they arise, subject to bad leaver provisions. As such the LLP does not have the unconditional right to refuse payment in due course and the amounts arising that are due to members are in the nature of liabilities. They are therefore treated as an expense in the income statement in the relevant year.

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 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 which is held by an entity related to the management of SIR. In determining that discount, the members have taken external advice from the broker to 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 remuneration in either the current year or the prior year.

The average number of members during the year was 14 (2017: 14), of which two (2017: two) were designated members.

5 Operating profit

	Year ended 5 April 2018 £000	Year ended 5 April 2017 £000
The operating profit is arrived at after charging:		
Auditors' remuneration - audit services	<u>6</u>	<u>7</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 2018 (continued)

6 Fixed asset investments

Investment in subsidiary undertaking

The LLP has a £1 investment representing 100% of the issued share capital of PIHL One Limited, registered in England and whose registered office is Cavendish House, 18 Cavendish Square, London, W1G 0PJ. The principal activity of PIHL One Limited is acting as a holding company for a property investment group and the members consider that the fair value of the investment is equal to its cost.

<i>Investment in limited partnership</i>	£000
At 5 April 2017	1
Revaluation	281
	<hr/>
At 5 April 2018	282

The LLP holds a 26.67% (2017: 26.67%) limited partnership interest in Prestbury 1 LP ("P1 LP"), an investment partnership. The investment was previously held at cost but has now been revalued to reflect the LLP's share of the cash and other net assets of P1 LP at the balance sheet date. P1 LP's termination date was 31 December 2017 and it will shortly be put into members' solvent liquidation.

<i>Listed investment</i>	£000
At 5 April 2017	67,625
Revaluation	8,986
	<hr/>
At 5 April 2018	76,611

The listed investment represents a 7.0% (2017: 9.9%) interest in Secure Income REIT Plc ("SIR"), a UK REIT listed on the AIM market of the London Stock Exchange. The fair value of the investment in SIR as at 5 April 2018 reflects a discount of 8% (2017: 13%) to the SIR share price at the balance sheet date, reflecting the fact that the investment represents a material holding in SIR which is held by an entity related to the management of SIR and would therefore have to be sold in a block trade.

At 5 April 2018, the historic cost of the investment in SIR was £40.9 million (2017: £40.9 million).

PIHL PROPERTY LLP

Notes forming part of the financial statements for the year ended 5 April 2018 (continued)

7 Debtors

	5 April 2018 £000	5 April 2017 £000
Loans to subsidiary undertaking	9,075	10,233
Amounts due from members	96	96
Loan participations in limited partnership	-	1,382
	<u>9,171</u>	<u>11,711</u>

Amounts due from members are unsecured, interest free and repayable on demand.

Loans to subsidiary undertaking are unsecured, do not bear interest and are repayable on demand. The loans are shown net of cumulative exchange gains totalling £1.3 million (2017: £2.4 million) on the US dollar portion of the loans and an impairment of £4.8 million (2017: £4.7 million) to reflect the cumulative losses of the subsidiary undertaking.

8 Creditors: Amounts falling due within one year

	5 April 2018 £000	5 April 2017 £000
Accruals	<u>18</u>	<u>17</u>

9 Financial assets and liabilities

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

	5 April 2018 £000	5 April 2017 £000
Financial assets		
Financial assets measured at fair value through profit or loss	76,893	67,625
Financial assets measured at amortised cost	<u>9,215</u>	<u>11,737</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(18)</u>	<u>(17)</u>

Financial assets measured at fair value through profit or loss comprise fixed asset investments in Secure Income REIT Plc and Prestbury 1 LP. Financial assets measured at amortised cost comprise loans to subsidiary undertaking, amounts due from members, loan participations in limited partnership and cash at bank. Financial liabilities measured at amortised cost comprise accruals.

PIHL PROPERTY LLP

Notes forming part of the financial statements for the year ended 5 April 2018 (continued)

9 Financial assets and liabilities (continued)

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 the fact that the shares represent a material stake held by an entity related to the management of SIR which would need to be sold 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.

The LLP's loan to its subsidiary undertaking is secured on land held for development in Barbados. The carrying value of the loan is therefore dependent on the value that will ultimately be realisable from that land, which is outside the control of the LLP.

(b) Illiquid investments

The LLP owns a material but not controlling interest in SIR, and interests in other private undertakings. Because of the size of the holdings and, in the case of the private undertakings, the fact that they are not traded on a public market, the LLP may be unable to realise these investments on a timely basis or at an acceptable price.

(c) Exchange rate risk

The LLP prepares its financial statements in Pounds Sterling but the net assets of its subsidiary undertaking are ultimately located in Barbados and denominated in US Dollars. The carrying value of the subsidiary undertaking, including amounts owed to the LLP, are therefore subject to exchange rate risk from movements in the value of Sterling against the US Dollar.

Businesses in Barbados are subject to foreign exchange controls which may restrict the ability of the investee companies to repatriate funds to the UK. A levy of 2% is also withheld from exchange control transfers when they are approved.

(d) Liquidity risk

Working capital must be managed to ensure that the LLP is able to meet its 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 2018 (continued)

10 Related party transactions

During the year the members contributed B capital to the LLP of £102,000 (2017: £742,000) and received distributions of £6,551,000 (2017: £52,250,000) from the LLP.

During the year, the LLP received distributions of £3,095,000 (2017: £2,067,000) from Secure Income REIT Plc ("SIR") and £2,108,000 (2017: £nil) from Prestbury 1 LP ("P1LP"). Nick Leslau and Sandy Gumm are directors of SIR and also of Prestbury General Partner Limited, the ultimate general partner of P1LP, and each is a related party of one of the members of the LLP: Nick Leslau is a director of the general partner of Pumpkin LP and Sandy Gumm is a beneficiary of The Sage Holdings Trust.

11 Events after the balance sheet date

Since the balance sheet date, the LLP has paid distributions of £561,000 to its members.

12 Ultimate controlling party

As at 5 April 2018 no single member had a controlling interest in the LLP.