

Limited Liability Partnership Registration number: OC327324 (England and Wales)

Sentrino LLP

(formerly INTERNOS Global LLP)

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**



Sentrino LLP

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For the year ended 31 December 2017

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Sentrino LLP

Summary Information

For the year ended 31 December 2017

Name

Sentrino LLP (formerly INTERNOS Global LLP)

Designated Members

J.O. Short
A.D. Thornton

Limited Liability Partnership Number

OC327324

Registered Office

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Mayfair
London
W1K 3JH
United Kingdom

Business Address

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Auditor

Ernst & Young LLP
1, More London Place,
London SE1 2AF
United Kingdom

Sentrino LLP

Members' report

For the year ended 31 December 2017

The members present their report and the audited financial statements of Sentrino LLP (formerly INTERNOS Global LLP) ('Sentrino' or 'the Partnership') for the year ended 31 December 2017.

Group structure

The financial statements consolidate the accounts of Sentrino and all its subsidiary undertakings at 31 December 2017 (together the 'Group'), which includes the following entities domiciled outside of the United Kingdom:

Entities	Domicile
Eilean Donan & Co KG	Germany
Internos GmbH	Germany
Principal Real Estate Kapitalverwaltungsgesellschaft mbH (formerly INTERNOS Global Investors Kapitalverwaltungsgesellschaft mbH)	Germany
Principal Real Estate GmbH (formerly INTERNOS Services GmbH)	Germany
Principal Real Estate Spezialfondsgesellschaft mbH (formerly INTERNOS Spezialfondsgesellschaft mbH)	Germany
Principal Real Estate S.A.S. (formerly INTERNOS Global Investors S.A.S.)	France
Principal Real Estate B.V. (formerly INTERNOS Global Investors B.V.)	Netherlands
Benelux Industrial Partnership General Partner B.V.	Netherlands
Principal Real Estate S.à r.l. (formerly INTERNOS S.à r.l.)	Luxembourg
Principal Real Estate S.L. (formerly INTERNOS Global Investors S.L.)	Spain

The subsidiaries principally affecting the profits or net assets of the Group are listed in note 24 to the financial statements.

Following the year end, the Partnership disposed all of the above entities (see Subsequent Events) with the exception of Eilean Donan & Co KG and Internos GmbH.

Designated members

The following were the designated members throughout the year under review and up to the date of this report, and throughout the previous year:

J.O. Short (Executive Chairman)

A.D. Thornton (Chief Executive Officer)

Designated members have the same rights and duties towards a limited liability partnership as any other member. However, designated members also have additional responsibilities, in particular:

- appointing the auditors;
- signing the accounts on behalf of the members;
- delivering the accounts to the Registrar;
- notifying the Registrar of any membership changes or change to the registered office address or name of the Partnership;
- preparing, signing and delivering the annual return to the Registrar; and
- acting on behalf of the Partnership if it is wound up and dissolved.

Capital structure

The Partnership had one class of units (Capital Units) until 2 November 2017 when further classes of units (being A1 Units, A2 Units, Existing B Units, Further B Units, Existing C Units and Further C Units) were issued with different entitlements, reflecting changes to the respective sharing ratios and economic interests. No units carry rights to fixed income. With regard to the appointment and replacement of members, the Partnership is governed by its Partnership agreement, as amended on 2 November 2017, the Companies Act and related legislation.

The average number of members in the year was 9 (2016: 9).

Members' report (continued)

For the year ended 31 December 2017

Allocation of profits or losses and policy on members' drawings

Partnership profits and losses in the accounting year are allocated between each member in accordance with the provisions of the Partnership agreement. During the year, profits and losses were allocated to members in proportion to their holding of Capital Units in the Partnership, once allowance has been made for the individual member's Priority Profit Share, set out in the Partnership agreement (as subsequently amended), and Discretionary Priority Profit Share, which the Executive Committee may from time to time determine to distribute, after consultation with the Remuneration Committee. Drawings on account of such allocation of profits or losses may be made, subject to the business having sufficient cash reserves to meet its ongoing obligations.

The proceeds from the sale of Principal Real Estate Europe Limited (formerly INTERNOS Holdings Limited) and its subsidiaries, which completed on 16 April 2018 (see Subsequent Events below), are to be allocated between members holding Capital Units, A1 Units, A2 Units, Existing B Units, Further B Units, Existing C Units and Further C Units in accordance with the terms of the Partnership agreement as amended on 2 November 2017.

Principal activities

Sentrino is an owner-managed business. Throughout the year the group headed by the Partnership (the "Group"), acted as a pan European investment manager, operating out of offices in London, Frankfurt, Paris, Amsterdam, Madrid, Luxembourg, Lisbon and Milan. As at 31 December 2017, the Group employed approximately 100 professionals with responsibility for maintaining the Group's €2.6 billion of assets under management.

On 16 April 2018, the Partnership completed the sale of the majority of its subsidiaries to the US-listed Principal Financial Group ("Principal") (see Subsequent Events below) to form its European real estate platform, known as Principal Real Estate Europe. Following the sale to Principal, the remaining entities in the group headed by the Partnership (the "Sentrino Group"), no longer provide investment management services to clients. The Sentrino Group has retained certain investments and intends to acquire additional investments to form a portfolio which it will manage as its principal activity in the future. The Partnership also has the right to receive deferred consideration arising from the sale of the business to Principal, if certain targets are met over the next 3 years.

Going concern

In determining the appropriate basis for the preparation of the financial statements, the designated members are required to consider whether the Partnership can continue as a going concern. The consolidated profit of the Partnership for the year ended 31 December 2017 was £336,356 (2016: Restated at £1,882,673) and its consolidated net assets as at the end of the year were £15,229,870 (2016: Restated at £14,162,978).

Following the sale of the majority of its business to Principal in April 2018, the Sentrino Group will no longer receive real estate investment management fee income and will only have limited operating expenses. The Partnership has received the initial proceeds from the sale of the business to Principal and has the potential to receive deferred consideration, if certain targets are met over the next 3 years. The Partnership has made an initial distribution to members of part of the initial proceeds received in April 2018 and intends to invest in the region of £500,000 from the remaining proceeds to acquire a portfolio of investments, which it will manage going forwards with a view to a profit. Cash flow forecasting has been, and will continue to be, undertaken before any additional investments are acquired or further distributions are made to members to ensure that sufficient cash is retained in the Partnership to acquire and manage the investment portfolio and meet its operating expenses for the foreseeable future (see Liquidity Risk on page 5). The designated members have considered the foregoing and the risks and uncertainties relating to the Sentrino Group and they have a reasonable expectation that the Partnership and the Sentrino Group have adequate resources to meet their liabilities as they fall due. Therefore, despite the sale of a substantial proportion of the business following the year end, they believe it is appropriate to prepare the financial statements on a going concern basis. The adoption of the going concern basis can also be found in the accounting policies note to the consolidated financial statements on page 20.

Business objectives and strategy

During the year, the Group's primary purpose was to be one of Europe's most highly-regarded, specialist investors and asset managers, delivering performance for clients through investment in real estate assets. Following the sale of the business to Principal in April 2018, the Partnership will continue to hold, acquire and manage a portfolio of investments and will await the receipt of the potential deferred consideration arising from the sale.

Sentrino LLP

Members' report (continued)

For the year ended 31 December 2017

Business review

The following matters relate to the activities of the Group during the year.

The Group continued to increase its acquisition activity in the year, advising on and completing over €420 million of acquisitions for its fund and separate account clients. The acquisition activity was centred on sectors with robust occupier demand and investment fundamentals that meet the different mandate requirements, with a significant focus on European office, care home, retail, hotel and leisure sectors.

The Group also continued to execute the liquidation strategies in place for a number of mandates and to reduce exposure to non-core assets, taking advantage of the strong European investment market for real estate with the disposition of approximately €490 million of real estate assets in the year.

During the year, Principal European Core Fund (formerly ICE Balanced Fund) was successfully restructured as an open-ended European core fund with 6 new international investors. In addition, the investor bases of both the Euro Logistics and Euro Property I funds were revised to meet investor requirements and following on from the success of the Hotel Fund I, the Group also launched its second European hotel fund, raising over €130 million of equity at its first close and making its first acquisition in Spain. In addition to the expansion of a number of its existing mandates, the Group also secured a significant new investment management mandate from a leading French institutional client, for which it acquired a first asset in Italy. An agreement was also reached to acquire a significant UK office asset for one of the Group's new separate account mandates from a leading UK corporate pension fund.

Subsequent events

On 29 November 2017, the Partnership agreed to sell its subsidiary, Principal Real Estate Europe Limited (formerly INTERNOS Holdings Limited) and most of its subsidiaries to Principal Financial Group Inc. ("Principal"), subject to regulatory approval. The requisite regulatory approvals were received after the year end and the sale was completed on 16 April 2018. Following the sale, the Partnership, which was renamed Sentrino LLP, holds a number of subsidiaries with investments in certain investment vehicles. In addition to the initial consideration payable following completion of the sale to Principal, under the terms of the sale agreement, the Partnership is entitled to receive potential deferred consideration if certain performance targets are met over the next 3 years.

In September 2018, the single asset owned by OCM Luxembourg QDF S.a.r.l., was sold. The aggregate proceeds received by the Sentrino Group following the sale were not materially different from the valuation of the investment in the financial statements at the year end (see note 15).

Financial risk management objectives and policies

During the year the Group was exposed to a number of financial risks, including cash flow and exchange rate risk, credit risk and liquidity risk.

Cash flow and exchange rate risk

During the year, the Group's fee income was mainly generated in Euro, while there was a significant sterling cost base. To manage the risk the Group completed a weekly review of its cash position and closely monitored the receipt of the management fees from assets under management and the cash requirements, in Euro and sterling, of the various Group entities. The Group has sought, wherever possible, to provide funding to each entity, when required, in the same currency denomination as the entity being funded. A forecast of the Group's currency requirements was prepared and the forecast requirement retained in the relevant currency, with Euro balances being sold against sterling, or vice-versa, when considered appropriate.

The impact on exchange rates of the United Kingdom's decision to leave the European Union has been considered as part of the weekly review of the cash forecast. Hedging opportunities to mitigate exchange rate risk were considered when necessary and as part of the annual budgeting process. The policy for subsidiaries has been that no hedging is required but exceptions to this are considered on a case by case basis.

Members' report (continued)

For the year ended 31 December 2017

Credit risk

The Group's principal financial assets during the year and at the year-end were cash deposits, trade and other receivables and investments. Its credit risk was primarily attributable to its trade receivables and cash deposits.

The trade receivable amounts presented in the balance sheet at the year-end are net of allowances for doubtful receivables. An allowance for impairment of receivables has been made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Group has analysed the concentration of its credit risk within trade receivables on an individual counterparty basis. A significant concentration was deemed to exist where an individual counterparty represented more than 10% of trade receivables. Since most of the Group's receivables were from funds managed and administered by the Group the credit risk has been easy to monitor and is considered low.

The credit risk on liquid funds, such as cash deposits, was limited because the counterparties were banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The Group has dealt with liquidity risk in the following way:

Short term: a cash flow analysis has been prepared on a weekly basis, to provide a trend of actual performance. This also allowed short term cash management across the Group by identifying entities that would have surplus cash and those that would have cash shortages which required funding from elsewhere in the Group. As part of the reporting process, the liquidity position of the Group was reviewed and any remedial action considered.

Long term: a forecast for the following 36 months, based on calendar years, has been prepared on an annual basis. This process identified and highlighted any long term liquidity issues which needed to be managed and remedied. As part of the forecasting process, stress testing has been carried out. The parameters, methodology and outcomes, including the impact on liquidity, of the stress testing was reviewed by the Group's Management Board. As part of liquidity management, the Group has sought to maintain sufficient cash and cash equivalents to meet outflows under expected and stressed conditions.

Going forward, following the sale of the business to Principal, the Sentrino Group is exposed to credit risk and liquidity risk.

Credit risk

The Partnership is exposed to the risk that any deferred consideration due from the sale of the business to Principal in April 2018 will not be paid in 3 years' time. Due to the size, credit worthiness and financial standing of Principal, this risk is not considered significant. The credit worthiness of Principal will be monitored by the designated members on a regular basis.

Liquidity risk

Following the sale of the business to Principal in April 2018, the Sentrino Group has only limited operating expenses. The Partnership currently has significant cash deposits arising from the initial sale proceeds. No further distributions to members or additional investments will be made without a cash flow analysis being undertaken to ensure that the Sentrino Group retains sufficient cash to meet its operating expenses for the foreseeable future.

Exchange rate risk

Going forwards, the receipt of any deferred consideration will be in Euros. However, there is no certainty that the deferred consideration will become due and there is no intention to put any hedging in place. It is not expected that the Sentrino Group will be exposed to exchange rate risk from operational activities.

Sentrino LLP

Members' report (continued)

For the year ended 31 December 2017

Principal risks and uncertainties

The key potential risks and uncertainties during the year that could have had a material impact on the Group's long term performance were as follows:

Key Risk	Description	Mitigation
Liquidity/cash flow	Risk of reducing management fee income without replacement from new income streams.	Recurring revenues and regular transaction fee income from continuing mandates ensured the Group had sufficient revenues to fund its operations without immediate requirement for new product launches or to reduce costs. Business strategy included targets for new business with dedicated product teams focused on driving initiatives forward and securing new mandates.
Exchange rate risk	The profitability and assets of the business are adversely affected by fluctuations in the currency exchange rates	Regular focus on currency management, including consideration of hedging opportunities, to minimise the adverse impact of currency movements
Liquidity/cash flow	Potential non-payment of asset management fees due to clients/funds being unable to meet liabilities or cash being used to amortise debt.	Ongoing monitoring of identified at-risk funds/mandates and early stage discussions with fund managers and clients.

The key potential risks and uncertainties that could have a material impact on the Sentrino Group's future long term performance are as follows:

Key Risk	Description	Mitigation
Liquidity/cash flow	The Group is unable to meet its operating expenses as they fall due	The Partnership has significant cash deposits and will not make any further investments or distributions to members without preparing a detailed cash flow analysis.
Fiduciary duties	Director's liability in relation to errors and breaches.	Run off and directors' and officers' insurance cover is in place.

Supplier payment policy

Unless otherwise agreed, supplier invoices are paid within 30 days of the invoice date. If there is a dispute in relation to an invoice, the supplier will be notified before the expiry of the payment period.

Key performance indicators

During the year, the Group's Management Board used a number of key performance indicators to measure performance and deliverables. The table on the following page sets out examples of such indicators and explains how they related to the Group's strategic priorities and how the Group performed in 2017.

Sentrino LLP

Members' report (continued)

For the year ended 31 December 2017

Revenue

Fee Income Analysis

The analysis of fee income, between recurring and non-recurring fees, is an indicator of the stability of the revenue of the Group and enhanced the Group's ability to plan the future cash flows and to assess the financial sustainability of the Group. In addition, the monitoring of the debtor positions on a regular basis enabled efficient cash flow planning.

	2017 £	2016 £
Recurring income	13,018,159	11,353,772
Transaction fees	7,808,019	6,401,679
Total revenue for the year	20,826,178	17,755,451

Mandate Profitability

The profitability of each mandate has been assessed to ensure viability and appropriate management oversight by taking into account the direct costs and indirect operational overhead cost allocation against the revenue from each mandate.

	2017 £	2016 £ Restated
Direct costs	7,598,861	7,036,381
Indirect costs	12,507,412	8,125,889
Total administrative costs for the year	20,106,273	15,162,270

Employees

The single most important element in determining the success or failure of the Group's business has been its people. The Group aimed to attract, develop, retain and motivate high-performing individuals and to drive the most efficient utilisation of its people and teams across the Group.

The Group monitored remuneration per employee by benchmarking against industry standards via participation in a regular performance/reward survey conducted by the leading consulting and benchmarking firm in the financial services industry. This benchmarking helped to ensure that the most talented staff were retained and that they were rewarded in alignment with the long-term aims of the business.

Equal opportunities

Applications for employment have always been considered irrespective of nationality, ethnic origin, age, religion, class or gender, but taking into account the aptitude for the role of the applicant concerned. In the event of members of staff becoming disabled, every effort has been made to ensure that their employment with the Group continued and that appropriate training was arranged. It has been the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation and well-being

The Group has aimed to create an environment which allowed employees to flourish and achieve their full potential for the benefit of themselves and the organisation. The Group has placed considerable value on the involvement and engagement of its employees and continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This has been achieved through formal and informal meetings.

Members' report (continued)

For the year ended 31 December 2017

Sustainability

As an investor in, and manager of, real estate assets, the Group recognised the significant positive and negative impact, both direct and indirect, that its activities may have had on the environment, as well as the communities and economies where it operated. The Group has been committed to making a positive contribution to the environmental, social and economic communities in which its stakeholders participate and the Group's sustainability policy has been embedded within its procedures.

Examples of where the Group has aimed to reduce its direct impact on the environment include, but are not restricted to, the following:

- consideration of sustainability as part of the review of potential acquisitions by the Investment Committee;
- consideration of sustainability issues across the business by the Management Board;
- efficient use of energy within offices, by minimising light usage outside office hours;
- active use of existing paper recycling facilities within offices;
- use of video conferencing facilities to minimise air travel for cross border meetings; and
- embracing a management culture which promotes recycling and encourages staff to consider other ways to minimise our environmental impact.

Auditor

Each of the persons who is a designated member at the date of approval of this members' report confirms that:

- so far as the designated member is aware, there is no relevant audit information of which the Partnership's auditor is unaware; and
- the designated member has taken all the steps that he/she ought to have taken as a designated member in order to make himself/herself aware of any relevant audit information and to establish that the Partnership's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the designated members on 18 October 2018 and signed on behalf of the members by:



A.D. Thornton
Designated Member (Chief Executive Officer)

Statement of members' responsibilities in respect of the financial statements

For the year ended 31 December 2017

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

The Limited Liability Partnership Regulations 2001, made under the Limited Liability Partnerships Act 2000 / The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008, require the members to prepare financial statements for each financial year. Under that law, the members have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). Under company law, as applied to limited liability partnerships, 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 and the profit or loss of the limited liability partnership for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SENTRINO LIMITED LIABILITY PARTNERSHIP ('LLP')

We have audited the financial statements of Sentrino LLP for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Partnership Balance Sheet, the Consolidated and Partnership Statement of Changes in Equity, Consolidated and Partnership Cash flow statement and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the consolidated and limited liability partnership's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships

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 below. We are independent of the limited liability partnership 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 limited liability partnership'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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The members are responsible for the other information.

Our opinion on the financial statements does not cover the other information and 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 the 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 in relation to which 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SENTRINO LIMITED LIABILITY PARTNERSHIP ('LLP') (Continued)

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement set out on page 9, 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 partnership'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 partnership or to cease operations, or have no realistic alternative but to do so.

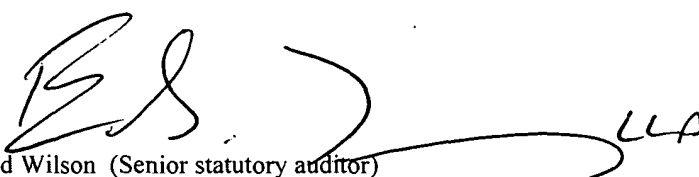
Auditor's responsibilities for the audit of the financial statements

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 on 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 members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships. Our audit work has been undertaken so that we might state to the 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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.


David Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

18 OCT 2018

Sentrino LLP

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Notes	2017 £	2016 £ Restated*
Continuing operations			
Revenue		20,826,178	17,755,451
Cost of sales		(264,010)	(162,767)
Gross profit		20,562,168	17,592,684
Administrative expenses		(20,106,273)	(15,162,270)
Consolidated operating profit	6	455,895	2,430,414
Investment income	9	125,820	19,379
Foreign exchange losses		(51,000)	(120,962)
Finance costs	10	(53,339)	(45,272)
Consolidated profit before tax		477,376	2,283,559
Tax charge	11	(141,020)	(400,886)
Consolidated profit for the financial year		336,356	1,882,673
Other comprehensive income			
Foreign exchange differences		582,445	1,784,975
Net gain on available for sale ("AFS") financial assets		38,153	131,141
Pension reserves	12	(11,085)	(113,199)
Total consolidated comprehensive income		945,869	3,685,590
<i>Consolidated profit for the financial year attributable to:</i>			
Members of the Partnership		289,204	1,845,680
Non-controlling interest		47,152	36,993
		336,356	1,882,673
<i>Foreign exchange differences attributable to:</i>			
Members of the Partnership		589,960	1,805,594
Non-controlling interest	22	(7,515)	(20,619)
		582,445	1,784,975
<i>Net gain on available for sale ("AFS") financial assets attributable to:</i>			
Members of the Partnership		38,153	131,141
Non-controlling interest		-	-
		38,153	131,141
<i>Pension reserves attributable to:</i>			
Members of the Partnership		(10,520)	(107,426)
Non-controlling interest	22	(565)	(5,773)
		(11,085)	(113,199)
Total consolidated comprehensive income attributable to:			
Members of the Partnership		906,797	3,674,989
Non-controlling interest	22	39,072	10,601
		945,869	3,685,590

*Certain amounts shown do not correspond to the 2016 financial statements and reflect adjustments made (see note 5)

Sentrino LLP

Consolidated balance sheet

At 31 December 2017

	Notes	2017 £	2016 £ Restated*	1 January 2016 £ Restated*
Non current assets				
Intangible assets	13	149,098	133,986	411,544
Property, plant and equipment	14	183,241	232,702	286,448
Investments	15	607,076	748,640	658,359
Deferred tax assets	11	191,895	180,955	124,186
Total noncurrent assets		1,131,310	1,296,283	1,480,537
Current assets				
Trade and other receivables	16	9,410,198	8,679,752	8,489,453
Amounts due from members		570,566	-	-
Current tax assets	11	76,349	-	-
Cash and bank balances		13,474,015	11,503,332	6,992,228
Total current assets		23,531,128	20,183,084	15,586,681
Total assets		24,662,438	21,479,367	17,067,218
Current liabilities				
Trade and other payables	17	(8,736,097)	(6,339,842)	(5,134,083)
Amounts due to members		-	(90,996)	(88,802)
Current tax liabilities	11	-	(251,481)	(316,726)
Total current liabilities		(8,736,097)	(6,682,319)	(5,539,611)
Net current assets		14,795,031	13,500,765	10,047,070
Non current liabilities				
Retirement benefit obligations	12	(655,026)	(603,005)	(410,604)
Deferred tax liabilities	11	(41,445)	(31,065)	(74,745)
Total non current liabilities		(696,471)	(634,070)	(485,349)
Total liabilities		(9,432,568)	(7,316,389)	(6,024,960)
CONSOLIDATED NET ASSETS		15,229,870	14,162,978	11,042,258
Consolidated members' equity				
Reserves		13,977,590	12,974,674	9,864,555
Members' capital	19	1,035,000	1,035,000	1,035,000
Equity attributable to members		15,012,590	14,009,674	10,899,555
Non-controlling interests	22	217,280	153,304	142,703
CONSOLIDATED EQUITY		15,229,870	14,162,978	11,042,258

*Certain amounts shown do not correspond to the 2016 financial statements and reflect adjustments made (see note 5)

Sentrino LLP

Consolidated balance sheet (continued)

At 31 December 2017

	2017 £	2016 £ Restated*	1 January 2016 £ Restated*
Consolidated members' interest			
Members' capital	1,035,000	1,035,000	1,035,000
Reserves	13,977,590	12,974,674	13,118,052
	<u>15,012,590</u>	<u>14,009,674</u>	<u>14,153,052</u>
Amounts due (from)/to members	(570,566)	90,996	90,996
TOTAL CONSOLIDATED MEMBERS' INTERESTS	<u>14,442,024</u>	<u>14,100,670</u>	<u>14,244,048</u>

*Certain amounts shown do not correspond to the 2016 financial statements and reflect adjustments made (see note 5)

The notes on pages 18 to 47 form part of these financial statements

The consolidated financial statements of Sentrino LLP were approved and authorised for issue by the designated members on 18 October 2018 and signed on behalf of the members by:



A.D. Thornton
Designated Member (Chief Executive Officer)

Sentrino LLP

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Members' Capital	Retranslation Reserve	Legal Reserve	AFS Reserve	Pension Reserve	Retained Earnings (Restated)	Equity Attributable to Members	Non-Controlling Interest	Consolidated Equity	Amounts due to/(from) Members	Total
	£	£		£	£	£	£	£	£	£	£
Consolidated balance at 1 January 2016 (previously stated)	1,035,000	(912,971)	10,056	-	(234,725)	11,025,693	10,923,053	142,703	11,065,756	88,802	11,154,558
Adjustments*	-	-	-	-	-	(23,498)	(23,498)	-	(23,498)	-	(23,498)
Consolidated balance at 1 January 2016 (restated)	1,035,000	(912,971)	10,056	-	(234,725)	11,002,195	10,899,555	142,703	11,042,258	88,802	11,131,060
Total consolidated comprehensive income for the year (previously stated)	-	1,805,594	-	131,141	(107,426)	1,965,560	3,794,869	-	3,794,869	-	3,794,869
Adjustments*	-	-	-	-	-	(119,880)	(119,880)	-	(119,880)	-	(119,880)
Total consolidated comprehensive income for the year (previously stated)	-	1,805,594	-	131,141	(107,426)	1,845,680	3,674,989	-	3,674,989	-	3,674,989
Movement in non-controlling interest (note 22)	-	-	-	-	-	-	-	10,601	10,601	-	10,601
Profit allocated to members	-	-	-	-	-	(564,870)	(564,870)	-	(564,870)	564,870	-
Amounts paid to members	-	-	-	-	-	-	-	-	-	(562,676)	(562,676)
Consolidated balance at 1 January 2017	1,035,000	892,623	10,056	131,141	(342,151)	12,283,005	14,009,674	153,304	14,162,978	90,996	14,253,974

*Certain amounts shown do not correspond to the 2016 financial statements and reflect adjustments made (see note 5)

Sentrino LLP

Consolidated statement of changes in equity (continued)

For the year ended 31 December 2017

	Members' Capital	Retranslation Reserve	Legal Reserve	AFS Reserve	Pension Reserve	Retained Earnings (Restated)	Equity Attributable to Members	Non-Controlling Interest	Consolidated Equity due to/(from) Members	Amounts due to/(from) Members	Total
	£	£		£	£	£	£	£	£	£	£
Consolidated balance at 1 January 2017 (continued)	1,035,000	892,623	10,056	131,141	(342,151)	12,283,005	14,009,674	153,304	14,162,978	90,996	14,253,974
Total consolidated comprehensive income for the year	-	589,690	-	38,153	(10,520)	289,204	906,797	-	906,797	-	906,797
Movement in non-controlling interest (note 22)	-	-	-	-	-	-	-	63,976	63,976	-	63,976
Loss allocated to members	-	-	-	-	-	96,119	96,119	-	96,119	(96,119)	-
Amounts receivable from members	-	-	-	-	-	-	-	-	-	(565,444)	(565,444)
Consolidated balance at 31 December 2017	1,035,000	1,482,583	10,056	169,294	(352,671)	12,668,328	15,012,590	217,280	15,229,870	(570,567)	14,659,303

*Certain amounts shown do not correspond to the 2016 financial statements and reflect adjustments made (see note 5)

Sentrino LLP

Consolidated cash flow statement

For the year ended 31 December 2017

	Notes	2017 £	2016 £ Restated*
Net cash from operating activities	20	<u>1,995,127</u>	<u>3,373,844</u>
Investing activities			
Purchase of intangible assets	13	(93,103)	(111,374)
Purchases of property, plant and equipment	14	(18,876)	(4,219)
Disposal of property, plant and equipment		647	-
Purchase of investments	15	-	(2,081)
Repayment of investments	15	15,716	-
Disposal of investments	15	204,274	303,425
Net cash generated from investing activities		<u>108,658</u>	<u>185,751</u>
Financing activities			
Interest paid		(53,339)	(45,272)
Payments to members		(564,870)	(491,055)
Net cash used in financing activities		<u>(618,209)</u>	<u>(536,327)</u>
Net increase in cash and cash equivalents		1,485,576	3,023,268
Cash and cash equivalents at beginning of year		11,503,332	6,992,228
Effect of foreign exchange rate changes		485,107	1,487,836
Cash and cash equivalents at end of year		<u><u>13,474,015</u></u>	<u><u>11,503,332</u></u>

*Certain amounts shown do not correspond to the 2016 financial statements and reflect adjustments made (see note 5)

Notes to the consolidated financial statements

For the year ended 31 December 2017

1. General information

Sentrino LLP (formerly INTERNOS Global LLP) (the “Partnership”) is a limited liability partnership established under the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. The address of the Partnership’s registered office is given on page 1. The nature of the Group’s operations and its principal activities are set out in the Members’ Report on pages 2 to 8. The Group comprised the Partnership and all its subsidiary undertakings during the year.

The functional currency of the Partnership is pounds sterling (£) as this is the currency of its primary economic environment. These financial statements are presented in pounds sterling. Foreign operations are included in accordance with the policies as set out in note 3.

2. Adoption of new and revised standards

Amendments to IAS 7 Disclosure Initiative – Amendments to IAS

The amendments to IAS 7 Statement of Cash Flows are part of the IASB’s Disclosure Initiative and help users of financial statements better understand changes in an entity’s debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Annual improvements to IFRSs 2012-2014 Cycle

The IASB issues five amendments to four standards, which included an amendment to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Assets (or disposal groups) are generally disposed of either through sale or distribution of owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements of IFRS 5. This cycle also included two amendments to IFRS 7 Financial Instruments: Disclosures. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The second amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.

EARLY ADOPTION OF STANDARDS AND INTERPRETATIONS

The Group has not early adopted any new international financial reporting standards or interpretations. Standards issued but not yet effective up to the date of issuance of the Group’s financial statements are listed below:

- IFRIC 22 Foreign Currency Transactions and Advance Consideration, effective 1 January 2018
- Amendments to IFRS 9: Prepayment Features with Negative Compensation, effective 1 January 2019
- Amendments to IAS 40: Transfers of Investment Property, 1 January 2018
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions, effective 1 January 2018
- IFRS 15 Revenue from Contracts with Customers, effective 1 January 2018
- IFRS 16 Leases, effective 1 January 2019
- IFRS 9 Financial Instruments, effective 1 January 2018

IFRS 15 “Revenue from contracts with customers” establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contract(s) with customer; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings” process to an “asset-liability” approach based on transfer of control.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

2. Adoption of new and revised standards (continued)

IFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

IFRS 15 replaces the previous revenue standards: IAS 18 "Revenue" and IAS 11 "Construction contracts", and the related interpretations on revenue recognition: IFRIC 13 "Customer loyalty programmes", IFRIC 15 "Agreements for the construction of real estate", IFRIC 18 "Transfers of assets from customers" and SIC-31 "Revenue - Barter transactions involving advertising services".

IFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is currently in the process of quantifying the impact of the above changes in the accounting standard.

IFRS 9, 'Financial instruments', that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for financial years beginning on or after 1 January 2018, with early application permitted. The Group plans to adopt the new standard on the required effective date. Except for hedge accounting, which is not applicable to the group, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The group is currently in the process of quantifying the impact of the above changes in the accounting standard.

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS) and on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies, which have been applied consistently during the year and the preceding year, are set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Partnership and its subsidiaries as at 31 December 2017 and for the year then ended. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that holding a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

3. Significant accounting policies (continued)

Basis of consolidation (continued)

Profit or loss, and each component of other comprehensive income, are attributed to members of the Partnership and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Partnership loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Going concern

In determining the appropriate basis for the preparation of the financial statements, the designated members are required to consider whether the Partnership can continue as a going concern. The consolidated profit of the Partnership for the year ended 31 December 2017 was £336,356 (2016: Restated at £1,882,673) and its consolidated net assets as at the end of the year were £15,229,870 (2016: Restated at £14,162,978).

Following the sale of the majority of its business to Principal in April 2018, the Sentrino Group will no longer receive real estate investment management fee income and will only have limited operating expenses. The Partnership has received the initial proceeds from the sale of the business to Principal and has the potential to receive deferred consideration if certain targets are met over the next 3 years. The Partnership has made an initial distribution to members of part of the initial proceeds received in April 2018 and intends to invest in the region of £500,000 from the remaining proceeds in a portfolio of investments, which it will manage going forwards with a view to a profit. Cash flow forecasting has been, and will continue to be, undertaken before any additional investments are acquired or further distributions are made to members to ensure that sufficient cash is retained in the Partnership to acquire and manage the investment portfolio and to meet its operating expenses for the foreseeable future (see Liquidity Risk on page 5). The designated members have considered the foregoing and the risks and uncertainties relating to the Sentrino Group and they have a reasonable expectation that the Partnership and the Sentrino Group have adequate resources to meet their liabilities as they fall due. Therefore, despite the sale of a substantial proportion of the business following the year end, they believe it is appropriate to prepare the financial statements on a going concern basis.

Revenue recognition

Revenue is recognised in relation to services when the services have been performed in line with the conditions set out in the relevant services contract.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue or income is accrued when it is earned from providing a service, but has yet to be billed. The recognition of such income is based on an entitlement to the income for services already performed and discounting the entitled income to the present value, based on an appropriate discount rate for a given period and the best estimate of the time when the revenue is to be billed.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

3. Significant accounting policies (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease, except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease assets are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in pounds sterling ("£"), which is the functional currency of the Partnership, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

3. Significant accounting policies (continued)

Pensions and other post-employment benefits

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the same schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

The Group also operates a defined benefit pension plan in Germany, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods.

Past service costs are recognised in the income statement on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'administration expenses' and 'finance costs' in the consolidated income statement (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable by the Group is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Partnership tax

Income tax payable on the Partnership's profits is solely the personal liability of the individual members and is consequently not dealt with in these financial statements.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

3. Significant accounting policies (continued)

Taxation (continued)

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Acquired intangible assets – management contracts

The future value of management contracts acquired through acquisition of subsidiaries are identified and discounted to the present value in the acquisition year, to determine the fair value of those assets to be recognised at acquisition.

The value is amortised on a straight-line basis over their remaining contract lives, being three years from date of acquisition.

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Office Equipment	40% in the year of acquisition with balance over three years on a straight line basis
Fixtures and fittings	20% straight line
Leasehold improvements	10% straight line

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

3. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (FVTPL) include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at FVTPL are carried in the balance sheet at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement.

Available for sale (AFS) financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.

The Group has investments in unlisted shares that are not traded in an active market but that are classified as AFS financial assets and stated at fair value. Fair value is determined in the manner described in Note 15. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit and loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to profit and loss.

Dividend on AFS equity instruments are recognised in profit and loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The foreign exchange gains and losses that are recognised in the profit and loss are determined based on the amortised costs of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

3. Significant accounting policies (continued)

Financial Assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables and amounts advanced to related parties. For more information on amount advanced to related parties and receivables, refer to Note 15 and Note 16 respectively.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default of delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit and loss.

For the financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit and loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

3. Significant accounting policies (continued)

Financial liabilities

Financial liabilities comprise of trade and other payables.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group does not have any financial liabilities at fair value through profit or loss, or derivatives designated as hedging instruments in an effective hedge.

Loans and borrowings and other payables

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition of financial liabilities

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Policy on members' drawings and allocation of profits or losses

The members' policy on allocation of profits or losses allows each member to share the profits and losses of the Partnership in each accounting year in proportion to their holding of Units, once allowance has been made for individual Partner's Priority and Discretionary Profit Shares, as set out in the Partnership agreement. As per the agreement, the allocations of the profits or losses in respect of any accounting year are paid on or around the last business day of the relevant accounting year. Drawings in advance of such allocation of profits or losses are only distributed subject to the business having sufficient cash reserves to meet its ongoing obligations.

Non-controlling interests

Non-controlling interests, that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, may be measured initially either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest are measured at fair value or, when applicable, on the basis specified in another IFRS.

Cash and short term deposits

Cash and short term deposits comprise of cash at banks and on hand and deposits with a maturity of 3 months or less, which are subject to an insignificant risk of changes in value.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the designated members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Bad debt provision

A provision is made for debts that are not considered to be collectable. The Group evaluates the collectability of trade receivables and records a bad debt provision based on experience of previous years' collectability, known clients' profile and payment trend and current economic environment. Since the Group cannot predict with certainty future changes on the financial stability of its clients, additional provisions or reversals of doubtful debts may be required based on the management judgement of the above. Refer to note 16.

Amortisation of intangible assets

Intangible assets are amortised on a straight line basis over the estimated useful lives of the assets. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management.

Judgements

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Accrued income

Income is accrued when it is earned for providing a service but has yet to be received. Significant management judgement is required to determine the discount rate to be used to recognise the income at its present value and the best estimate of the time when the revenue is to be invoiced.

Pension and other post-employment benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected return on assets, future salary increases, attrition and mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are provided in the accounting policy in note 3.

Fair value measurement of financial assets

When the fair values of financial assets recorded in the statements of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the recoverable net assets value model and discounted cash flow model. The input to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial assets. See note 15 for further disclosure.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

5. Prior year adjustment

As part of the Share Purchase Agreement entered into between, inter alia, Principal Real Estate Europe Limited (PREEL) (formerly known as INTERNOS Holdings Limited) and Commerz Real AG ("CRS") on 12 June 2013, CRS was entitled to additional consideration from PREEL in the event that certain conditions were met regarding the raising and investment of additional equity for certain funds managed by affiliates of PREEL in the following 3 years. Such conditions were met giving rise to additional consideration becoming due in respect of 2015 and 2016. However, no accrual for such additional consideration was made in the 2015 or 2016 financial statements. As a consequence, profit for the year was overstated by this amount. The error has been corrected by restating each of the affected financial statement line items for the prior years as follows:

Impact on consolidated statements of comprehensive income

	Previously disclosed £	Adjustment to considerations £	Restated £
2016			
Administrative expenses	(15,040,083)	(122,187)	(15,162,270)
Foreign exchange losses	(123,269)	2,307	(120,962)
		<u>(119,880)</u>	

Impact on consolidated balance sheet

	Previously disclosed £	Adjustment to considerations £	Restated £
1 January 2016			
Trade and other payables	(5,110,585)	(23,498)	(5,134,083)
Decrease in equity		<u>(23,498)</u>	
31 December 2016			
Trade and other payables	(6,196,464)	(143,378)	(6,339,842)
Decrease in equity		<u>(143,378)</u>	

Impact on consolidated statements of changes in equity

	Previously disclosed £	Adjustment to considerations £	Restated £
Retained Earnings			
Impact on profit in year 2015	11,025,693	(23,498)	11,002,195
Impact on profit in year 2016	13,118,052	(119,880)	12,998,172
Total decrease in retained earnings		<u>(143,378)</u>	

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Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

6. Consolidated operating profit

Consolidated operating profit for the year has been arrived at after charging/(crediting):

	2017 £	2016 £
Amortisation of intangible assets (note 13)	83,530	397,825
Depreciation of property, plant and equipment (note 14)	56,236	102,981
Write-off of property, plant and equipment (note 14)	21,175	-
Write-off of investments (note 15)	26,789	-
Staff costs (note 8)	11,908,829	8,242,402
Operating lease payments	980,939	974,410
Shareholder's loan written off (note 15)	126,519	-
Impairment loss on other receivables	9,983	-
Impairment loss recognised on trade receivables (note 16)	-	21,656
Impairment loss reversed on trade receivables (note 16)	(45,281)	(79,827)
	<u>11,908,829</u>	<u>8,242,402</u>

7. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2017 £	2016 £
Fees payable to the Partnership's auditor for the audit of the Partnership's annual accounts:		
- Current year	38,287	29,359
Fees payable to the Partnership's auditor and its associates for audit and non-audit services to the Group:		
Audit of the Partnership's subsidiaries		
- Current year	237,962	226,873
Total auditor's remuneration	<u>276,249</u>	<u>256,232</u>

8. Staff costs

	2017 Number	2016 Number
Average numbers of members of the Partnership during the year	<u>9</u>	<u>9</u>
Monthly average number of employees during the year (excluding members of the Partnership)	<u>97</u>	<u>97</u>
Aggregate remuneration comprised:		
	2017 £	2016 £
Wages and salaries	10,541,699	7,049,919
Social security costs	1,223,380	1,084,928
Other pension costs	143,750	107,555
	<u>11,908,829</u>	<u>8,242,402</u>

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Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

9. Investment income

	2017 £	2016 £
Interest income on bank deposits	387	666
Other interest income	8,653	3,940
Gains on other investments	116,780	14,773
	<u>125,820</u>	<u>19,379</u>

10. Finance costs

	2017 £	2016 £
Bank charges	41,545	34,302
Interest on pension benefits (note 12)	11,794	10,926
Other costs	-	44
	<u>53,339</u>	<u>45,272</u>

11. Taxation

	2017 £	2016 £
Corporation tax:		
Current year	144,433	453,039
Prior year adjustment	-	58,283
Current tax charge for the year	<u>144,433</u>	<u>511,322</u>
Deferred tax:		
Current year	(3,413)	(110,436)
Total income tax charge for the year	<u>141,020</u>	<u>400,886</u>

Factors affecting the tax charge for the year

Taxation in the UK is charged at the prevailing rate for the year of 19.25%. Taxation for other relevant jurisdictions is calculated at the rates prevailing for the year in the respective jurisdictions (25.00% in the Netherlands, 29.72% in Germany, 29.22% in Luxembourg, 25.00% in Spain and 33.30% in France).

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Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

11. Taxation (continued)

The charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2017 £	2016 £ Restated
Consolidated profit before tax	477,376	2,283,559
Tax at the UK corporation tax rate of 19.25% (2016: 20.00%)	91,895	456,712
Effects of:		
Non taxable income	(99,954)	-
Expenses not deductible for tax purposes	253,798	160,347
Movement in items for which deferred tax not recognised	(22,004)	(10,458)
Tax effect of tax losses for which deferred tax not recognised	36,065	(85,569)
Prior year adjustment	-	58,283
Tax effect of subsidiaries operating in other jurisdictions	(118,780)	(178,429)
Rate change adjustment	-	-
Total tax charge for the year	141,020	400,886

	2017 £	2016 £
Current tax asset/(liabilities):		
Balance at 1 January	(251,481)	(316,726)
Charge to the income statement	(144,433)	(511,322)
Payments	482,660	626,344
Foreign exchange differences	(10,397)	(49,777)
Balance at 31 December	76,349	(251,481)

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

11. Taxation (continued)

	2017 £	2016 £
Deferred tax liabilities:		
Balance at 1 January	(31,065)	(74,745)
Charge to AFS reserve	(9,095)	(29,763)
Credit to the income statement	=	74,745
Foreign exchange differences	(1,285)	(1,302)
	<u>(41,445)</u>	<u>(31,065)</u>
Deferred tax assets:		
Balance at 1 January	180,955	124,187
Credit to the income statement	3,413	35,691
Foreign exchange differences	7,527	21,077
	<u>191,895</u>	<u>180,955</u>
 Total deferred tax credit to the income statement for the year	 <u>3,413</u>	 <u>110,436</u>

Factors that may affect future tax charges

The Group is carrying forward tax losses at 31 December 2017 of approximately £36,925,881 or €41,589,990 (2016: £35,764,208 or €41,947,124) available to set off against future trading profits in one of its subsidiaries. A potential deferred tax asset of approximately £6 million for unused tax losses carried forward has not been recognised as it is not probable, based on current projections, that there will be sufficient taxable profits against which the losses carried forward can be utilised in that subsidiary.

The UK Finance (No. 2) Act 2015, substantively enacted on 26 October 2015, reduced the main rate of corporation tax from 20% to 19% from 1 April 2017, with a further reduction by 1% to 18% from 1 April 2020 onwards, whilst the Finance Act 2016, which was substantively enacted on 6 September 2016, introduced a further reduction of the main rate of corporation tax to 17% from 1 April 2020 onwards. The future rate changes are not expected to have a material impact on these financial statements.

12. Retirement benefit obligations

The Group has operated two types of retirement benefit scheme during the year, which were defined contribution schemes and defined benefit schemes. Costs recognised in the income statement in respect of these retirement benefit schemes are as follows:

	2017 £	2016 £
Defined contribution schemes	139,756	104,448
Defined benefit schemes	15,789	14,060
	<u>155,545</u>	<u>118,508</u>

Defined contribution schemes

The Group has operated defined contribution retirement benefit schemes for qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of the scheme trustees. The Group was required to contribute a specified percentage of payroll costs to the schemes to fund the benefits. The only obligation of the Group with respect to the defined contribution schemes has been to make the specified contributions.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

12. Retirement benefit obligations (continued)

The total cost charged to administrative expenses of £139,756 (2016: £104,448) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 December 2017, contributions of £34,541 (2016: £6,546) due in respect of the current reporting period were payable, as disclosed in note 17.

Defined benefit schemes

One of the Group's German subsidiaries, Principal Real Estate Spezialfondsgesellschaft mbH (formerly INTERNOS Spezialfondsgesellschaft mbH), sponsors defined benefit schemes for its qualifying employees.

The defined benefit schemes are based on a direct pension commitment given by the company, where the level of the pension payment is pre-defined and dependent on factors such as age, salary level and length of service. The accounting principles for defined benefit pension plans in IAS 19 are applied to these pension schemes and therefore provisions are recognised.

For employees entitled to pension benefits, the pension entitlements are either based on the regulations of the Commerzbank modular plan for company pension benefits, known as the CBA, or the employees have pension rights under the Commerzbank capital plan for company pension benefits, known as the CKA, depending on their commencement of employment at the company.

The amount of benefits under the CBA consists of an initial module for the period up to 31 December 2004, plus a benefit module for each contributory year from 2005 onwards; the benefits are structured as a lifelong pension with the option to arrange for a lump sum capital payment.

Future pensions in payment are mostly subject to adjustments in line with inflation; in some cases, adjustments will be made annually at a rate of 1%. The CKA guarantees a minimum benefit on the modular basis, but also offers additional opportunities for higher pension benefits through investing assets in investment funds; the benefits are provided as lump sum capital payments.

In order to meet the direct pension liabilities, assets were transferred to a legally independent trustee, CommerzTrust GmbH under a Contractual Trust Arrangement (CTA). These assets qualify as plan assets according to IAS 19.8. The insolvency insurance provided by the CTA particularly covers the portion of vested or current benefits that are not covered by the Pensions-Sicherungs-Verein (PSV), the German pension insurance fund. There is no requirement to pay contributions to the CTA.

The schemes typically expose the company to actuarial risks such as: investment risk, interest rate risk, inflation risk and longevity risk. (the valuation of the defined benefit liability is made by reference to the best estimate of the mortality of plan participants both during and after their employment, deviations from these assumptions lead to changes in the liability)

No other post-retirement benefits are provided to these employees.

The actuarial valuations of the plan assets and the present value of the defined benefit liability were carried out at 31 December 2017 by

Rüß, Dr. Zimmermann und Partner (GbR)
Beratende Aktuare
Kanalstraße 44
22085 Hamburg
Germany

The present value of the defined benefit liability and the related current service cost and past service cost, were measured using the projected unit credit method.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

12. Retirement benefit obligations (continued)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at	
	2017	2016
Key assumptions used:		
Discount rate(s)	1.90%	1.90%
Expected rate(s) of salary increase	2.50%	2.50%
Expected rate(s) of pension increase	1.80%	1.80%
Average longevity at retirement age for current pensioners (65 years old) *:		
- Male	19.3 years	19.3 years
- Female	23.3 years	23.3 years
Average longevity at retirement age for current employees (future pensioners) (40 years old) *:		
- Male	22.5 years	22.5 years
- Female	26.4 years	26.4 years

*Based on Germany's standard applied mortality tables "Richttafeln 2005G by K. Heubeck" with slight modifications concerning invalidity. These tables allow for expected future changes in mortality.

Amounts recognised in the income statement in respect of this defined benefit scheme are as follows:

	2017	2016
	£	£
Current service cost	3,994	3,134
Net interest expense (note 10)	11,794	10,926
Components of defined benefit costs recognised in the income statement	<u>15,788</u>	<u>14,060</u>

The service cost for the year has been included in the consolidated statement of comprehensive income within administrative expenses. The net interest expense has been included within finance costs. The remeasurement of the net defined (asset)/liability is included in other comprehensive income.

Amounts recognised in pension reserves are as follows:

	2017	2016
	£	£
The return on plan assets (excluding amounts included in net interest expense)	6,691	8,091
Actuarial losses arising from changes in financial assumptions	-	99,331
Actuarial losses arising from experience adjustments	4,394	5,777
Remeasurement of the net defined benefit liability	<u>11,085</u>	<u>113,199</u>

The amount included in the consolidated balance sheet arising from the Group's obligations in respect of its defined benefit schemes is as follows:

	2017	2016
	£	£
Present value of defined benefit obligations	1,001,465	935,791
Fair value of plan assets	(346,439)	(332,786)
Net liability arising from defined benefit obligations	<u>655,026</u>	<u>603,005</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

12. Retirement benefit obligations (continued)

Movements in the present value of defined benefit obligations in the year were as follows:

	2017 £	2016 £
Defined benefit obligation, at the beginning of the period	935,791	698,282
Current service cost	3,994	3,134
Interest cost	18,290	18,580
Remeasurement losses:		
- Actuarial losses arising from changes in financial assumptions	-	99,331
- Actuarial losses arising from experience adjustments	4,394	5,777
- Exchange differences on Euro-denominated schemes	38,996	110,687
Defined benefit obligation, at the end of the period	<u>1,001,465</u>	<u>935,791</u>

Movements in the fair value of plan assets in the year were as stated below. As at 31 December 2017, the plan assets were held entirely in cash with a financial institution in Germany. The Group has no obligation to contribute to the plan assets in 2018.

	2017 £	2016 £
Fair value of plan assets, at the beginning of the period	332,785	287,678
Interest income	6,496	7,654
Remeasurement gain/(loss):		
- Actuarial losses arising from experience adjustments	(6,691)	(8,091)
- Exchange differences on foreign schemes	13,849	45,545
Fair value of plan assets, at the end of the period	<u>346,439</u>	<u>332,786</u>

Sensitivity analysis with regards to the defined benefit obligations and the service cost are as follows:

	Defined benefit obligations £	Service cost £
Discount rate sensitivity (based on 1.9%)		
- Discount rate + 50bps	(101,928)	(312)
- Discount rate - 50bps	118,732	384
Salary increase rate sensitivity (based on 2.5%)	-	69
- Salary increase rate + 50bps	-	(67)
- Salary increase rate - 50bps		
Pension adjustment sensitivity (based on 1.8%)		
- Adjustment to pensions + 50bps	50,703	-
- Adjustment to pensions - 50bps	(45,811)	-
Mortality rate (life expectancy) change sensitivity		
- Reduction in mortality of 10 %	25,773	12

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Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

13. Intangible assets

	2017 £	2016 £
Carrying amounts of:		
Acquired future contracts	-	-
Software	149,098	133,986
	<u>149,098</u>	<u>133,986</u>

	Acquired future contracts £	Software £	Total £
Cost/Valuation			
At 1 January 2016	1,277,886	335,127	1,613,013
Additions	-	111,374	111,374
Exchange differences	-	52,667	52,667
	<u>1,277,886</u>	<u>499,168</u>	<u>1,777,054</u>
At 1 January 2017	1,277,886	499,168	1,777,054
Additions	-	93,103	93,103
Exchange differences	-	20,639	20,639
	<u>1,277,886</u>	<u>612,910</u>	<u>1,890,796</u>
At 31 December 2017	1,277,886	612,910	1,890,796
Amortisation			
At 1 January 2016	922,917	278,552	1,201,469
Charge for the year	354,969	42,856	397,825
Exchange differences	-	43,774	43,774
	<u>1,277,886</u>	<u>365,182</u>	<u>1,643,068</u>
At 1 January 2017	1,277,886	365,182	1,643,068
Charge for the year	-	83,530	83,530
Exchange differences	-	15,100	15,100
	<u>1,277,886</u>	<u>463,812</u>	<u>1,741,698</u>
At 31 December 2017	1,277,886	463,812	1,741,698
Net book value			
At 31 December 2017	-	149,098	149,098
	<u>-</u>	<u>149,098</u>	<u>149,098</u>
At 31 December 2016	-	133,986	133,986
	<u>-</u>	<u>133,986</u>	<u>133,986</u>

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Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

14. Property, plant and equipment

		2017 £	2016 £
Carrying amounts of:			
Leasehold improvements		-	1,117
Fixtures, fittings and office equipment		183,241	231,585
		<u>183,241</u>	<u>232,702</u>
		Fixtures, fittings and office equipment	Total
	Leasehold improvements	£	£
Cost			
At 1 January 2016	43,952	619,230	663,182
Additions	-	4,219	4,219
Exchange differences	3,263	198,869	202,132
	<u>47,215</u>	<u>822,318</u>	<u>869,533</u>
At 1 January 2017	47,215	822,318	869,533
Additions	-	18,876	18,876
Written off	-	(322,636)	(322,636)
Disposals	-	(653)	(653)
Exchange differences	993	56,547	57,540
	<u>48,208</u>	<u>574,452</u>	<u>622,660</u>
At 31 December 2017	48,208	574,452	622,660
Accumulated depreciation			
At 1 January 2016	35,965	340,769	376,734
Charge for the year	8,125	94,856	102,981
Exchange differences	2,008	155,108	157,116
	<u>46,098</u>	<u>590,733</u>	<u>636,831</u>
At 1 January 2017	46,098	590,733	636,831
Charge for the year	1,163	55,073	56,236
Written off	-	(301,461)	(301,461)
Disposals	-	(107)	(107)
Exchange differences	947	46,973	49,920
	<u>48,208</u>	<u>391,211</u>	<u>439,419</u>
At 31 December 2017	48,208	391,211	439,419
Net book value			
At 31 December 2017	-	183,241	183,241
	<u>-</u>	<u>183,241</u>	<u>183,241</u>
At 31 December 2016	1,117	231,585	232,702
	<u>1,117</u>	<u>231,585</u>	<u>232,702</u>

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

15. Investments

The Group invests in various financial assets which are classified into four primary categories as shown below. The classification of these financial assets determines how they are subsequently measured.

- Investments carried at fair value, through profit and loss ("FVTPL")
- Available for sale investments, carried at fair value ("AFS")
- Held for trading investments, carried at fair value ("Trading")
- Loan receivables, carried at amortised cost ("Loan")

Set out below is the movement in investments:

	2017				Non- current Total £
	FVTPL £	AFS £	Trading £	Loan £	
Balance at 1 January	117,403	460,796	48,942	121,499	748,640
Disposals/Write-off	-	(26,789)	(50,966)	(126,519)	(204,274)
Repayments	-	(15,716)	-	-	(15,716)
Fair value adjustments	-	47,248	-	-	47,248
Foreign exchange differences	4,855	19,279	2,024	5,020	31,178
Balance at 31 December	122,258	484,818	-	-	607,076

	2016				Non- current Total £
	FVTPL £	AFS £	Trading £	Loan £	
Balance at 1 January	99,469	518,457	40,433	105,000	763,359
Additions	-	2,081	-	-	2,081
Disposals	-	(303,425)	-	-	(303,425)
Fair value adjustments	2,302	162,206	2,155	-	166,663
Foreign exchange differences	15,632	81,477	6,354	16,499	119,962
Balance at 31 December	117,403	460,796	48,942	121,499	748,640

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

Financial assets	2017		2016	
	Carrying amount £	Fair value £	Carrying amount £	Fair value £
Non-current				
FVTPL	122,258	122,258	115,101	117,403
AFS	437,570	484,818	298,590	460,796
Trading	-	-	46,787	48,942
Loan	-	-	121,499	121,499
	559,828	607,076	581,977	748,640

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

15. Investments (continued)

Investment carried at fair value, through profit and loss (FVTPL)

On 29 November 2013, the Group purchased 600 shares in SCPI Novapierre Allemagne (the "Fund") through Principal Real Estate S.A.S. (formerly INTERNOS Global Investors S.A.S.), at €230 per share for a total of €138,000, which initially represented a holding of 14.27%. As at 31 December 2017, based on a third party valuation, the shares were valued at €229.50 (2016: €229.50) per share, which is equivalent to £122,258 / €137,700 (2016: £117,403 / €137,700) and represented a holding of less than 0.01%. The movement in the year represents the foreign exchange differences.

Changes in the underlying net asset value of the Fund directly and proportionately impact the fair value of the investment, i.e. if the Fund's net asset value falls by 5%, there will be a similar decrease in the value of the Group's investment in the Fund.

The investment in the Fund was included as part of the sale to Principal after the year end (see note 30).

Available for sale investments carried at fair value (AFS)

As at 31 December 2017, the AFS investments consist of investments in the following financial assets, which are measured at fair value at the end of the year:

Torre Zen

- 24,578 units of unquoted equity shares in OCM Torre Zen S.a.r.l., representing a holding of 1.97%, and an amount in an equity account (SPERA) held by a subsidiary, Sentrino Capital Limited (formerly INTERNOS Capital Investments Limited) ("SCL") for a total amount of €10,660 (£9,089). On 29 October 2015, SCL and OCM Torre Zen S.a.r.l. also entered into a Tracking Preferred Equity Certificates ("TPEC") agreement to give SCL 50,033,997 units of TPECs for a total price of €500,340 (£426,591). These TPECs had a nominal value of €0.01, a fixed yield of 0.1% per annum on their nominal value and a variable yield (that equates to net eligible income, less transfer price margin and fixed yield). Under the agreement, the TPECs have a maturity date 30 years after the date of issuance and are redeemable at nominal value, plus any accrued unpaid yield. In 2016 repayments of SPERA of €7,865 (£6,706) and TPECs of €340,891 (£290,644) were received. Subsequent to the repayment, on 1 December 2016 the remaining TPECs were converted into SPERA at cost.

During the year, repayments of SPERA of €13,213 (£11,731) were received.

Subsequent to the year end, in April 2018 OCM Torre Zen S.a.r.l. sold its sole property, resulting in a final distribution to SCL of €294,089. The valuation of the investment at 31 December 2017 was based on the sale price.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

15. Investments (continued)

Available for sale investments carried at fair value (AFS) (continued)

QDF

- 25,446 units of unquoted equity shares in OCM Luxembourg QDF S.a.r.l, representing a holding of 1.02% and an amount in an equity account (SPERA) held by SCL for a total amount of €4,800 (£4,092). In 2016, a repayment of SPERA of €1,069 (£911) was received.

The fair value of this unquoted equity shares is measured based on the consolidated net asset value of OCM Luxembourg QDF S.a.r.l. at 31 December 2017. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate and credit risk. The various estimates within the range used within the assumptions can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments. Taking the above into consideration, the total available distributable net asset value for SCL's share is €142,003 (£126,078).

The consolidated net asset value is primarily driven by the value of the underlying property. The sensitivity of the valuation to a 5% increase/(decrease) in value is an increase/(decrease) in fair value of £20,000.

- SCL and OCM Luxembourg QDF S.a.r.l also entered into a TPEC agreement to give SCL 15,520,000 units of TPECs for a total price of €155,200 (£132,324) on 9 October 2015. The terms and conditions of the TPECs are the same as those for OCM Torre Zen S.a.r.l. above. A repayments was received during the year of €4,488 (£3,985) (2016: €6,056 (£5,163)).

The fair value of the TPECs is determined by using a Discounted Cash Flow ("DCF") method based on a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The fair value of the TPECs as at the end of the year was measured at €104,791 (£93,039).

The fair value is primarily driven by the issuer's borrowing rate. The sensitivity to a 1% increase/(decrease) in the interest rate is a decrease/(increase) in fair value of £14,000.

- 1 unit of unquoted equity shares in QDF, S.A. representing a holding of 0.002% shares held by a subsidiary, Principal Real Estate Limited (formerly INTERNOS Global Investors Limited) ("PREL") for a fair value of €1 (equivalent to £1). QDF S.A. is the owner of a real estate asset in Portugal for which the PREL is the asset manager. Due to immateriality, the fair value of the investment is measured at cost.
- Subsequent to the year end, in September 2018, following the sale of an asset owned by OCM Luxembourg QDF S.a.r.l., the TPECs in OCM Luxembourg QDF S.a.r.l, were fully redeemed and the shares held in OCM Luxembourg QDF S.a.r.l were fully repaid, resulting in aggregate proceeds being received by the Sentrino Group that were not materially different from the valuation of the investment at the year end, together with a fee arising from the sale of the underlying asset.

DREF

- 7,875 units of unquoted equity shares in Deutsche Real Estate Funds S.A. ("DREF") representing a holding of 7.875% for an amount of €24,854 (£21,191), 985 units of shares in Deutsche Real Estate Funds Advisor S.A.R.L. ("DREFA") representing a holding of 7.88% for an amount of €3,288 (£2,423) and 244,125 units of shares in DREF Securitization S.A. representing a holding of 7.875% for an amount of €2,441 (£2,081). All shares are held by a subsidiary, Sentrino Investments Limited (formerly Internos Global Investments Limited) ("SIL").

IAS 39 requires investments in instruments that do not have a quoted market price in an active market, whose fair value cannot be reliably measured and where there is a significant range of possible fair value estimates and the likelihood of any particular estimate being reliable cannot be easily assessed, to be measured at cost, subject to impairment.

Having carefully considered the financial situation of the investees, the designated members consider that it is appropriate to write down the value of its investments in DREF and DREFA to nil.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

15. Investments (continued)

Available for sale investments carried at fair value (AFS) (continued)

Heylo Housing

- 500 units of unquoted equity shares in Heylo Housing Limited (HHL), representing a holding of 5%, for an amount of £5 held by SIL. As at 30 September 2016 (the financial year end of the investee), the net asset value of HHL stands at £36.7 million. Therefore, SIL's 5% share of this value is €2.12 million.

HHL has a net asset value which is mainly derived from the valuation of the properties based on Existing Use Value – Social Housing ("EUV-SH") method, which is a formula developed in the late 1980s by the Royal Institution of Chartered Surveyors to value stock transfers from councils to housing associations. These properties have a restricted market, where the buyers are primarily housing associations, as they are generally developed under section 106 agreements, stipulating that they must continue in use as social rented housing. Under EUV-SH, the value is calculated by aggregating rental income over a 30-year period, less costs, with the net figure discounted to allow for inflation. The assumption under this methodology is that properties will remain in the sector. As a result, the properties would only be sold to housing associations at a value that does not equate to the fair value. In addition, there are certain restrictions on SIL's ability to sell the shares.

Due to the uncertainty over the true market value of these properties and the restrictions on selling the shares, the management believes that it is fair to measure the value of this investment by applying an illiquidity discount to the net asset value, reducing the value to £5. A reduction in the illiquidity discount rate would result in an increase in fair value.

Dormant shelf funds

- Nine dormant German Spezialfonds entities, which were acquired as part of the acquisition of Principal Real Estate Spezialfondsgesellschaft mbH (formerly INTERNOS Spezialfondsgesellschaft mbH) in November 2013 for €4,500 (£3,995). These entities do not have a quoted market price in an active market. The fair value of these funds is measured based on their net asset value as at 31 December 2017. These entities were included as part of the sale to Principal after the year end (see note 30).

BIP GP

- Unquoted equity shares in Benelux Industrial Partnership General Partner B.V. ("BIP GP") representing a 94.9% holding for an amount of €34,175 (£26,743). BIP GP is the general partner of Benelux Industrial Partnership ("BIP") fund. All of the assets held by BIP have been disposed of and the structure is in the process of being wound up. Therefore, as at 31 December 2017 the investments in BIP GP was fully impaired.

Eilean Donan

- Unquoted equity shares in Eilean Donan Co KG ("ED") representing a 94% holding for an amount of €1,000 (£782). ED holds a 5.1% interest in BIP GP but has remained dormant since its incorporation. All of the assets held by BIP GP structure have been disposed of and the structure is in the process of being wound up. Therefore, as at 31 December 2017 the investments in ED was fully impaired.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

15. Investments (continued)

Available for sale investments carried at fair value (AFS) (continued)

Internos Hotel Fonds II Participations LP

During the year, the Company acquired 10% of the shares in the newly established Internos Hotel Fonds II Participations LP at the value of £592 or €667.

AFS investments are considered as Level 3 investments, given the significant unobservable inputs that are used in their valuation. The fair value of such investments is determined using the Group's share of the net asset value of the investment as reported by the relevant manager, without any adjustment. Such net asset value is based on the fair value of the underlying assets and liabilities, including the fair value of investment properties held which are valued by independent experts.

The significant unobservable inputs used in the fair value measurement comprise of the net asset value which in turn is based on the fair values of its underlying assets and liabilities, mainly investment properties. There have been no transfers between Level 1 and 3 investments during the year.

Trading investments carried at fair value

Trading investments carried at fair value comprised investments in marketable securities, which are investments in listed securities that present the Group with the opportunity for returns through dividend income and trading gains.

The fair values of investments held for trading are determined with reference to quoted market prices and, as such, these investments are considered to be level 1 investments.

All the marketable securities held were sold during the year.

Loans receivable, carried at amortised cost

This represents a shareholders' loan receivable provided by PREL to DREF. The loan bears an interest rate of 1% per annum and has a maturity date of 1 January 2026. As at 31 December 2017 the calculated present value with yield as per agreement of 1% and a discount rate of 1% over 10-year maturity. During the year the loan was written-off.

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Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

16. Trade and other receivables

	2017 £	2016 £
Trade receivables	6,055,779	4,362,946
Other taxes and social security	2,301,713	2,216,510
Other receivables	132,241	866,663
Prepayments	431,484	353,663
Tax receivables	488,981	879,970
	<u>9,410,198</u>	<u>8,679,752</u>

Trade receivables include amounts which are past due at the reporting date, after impairment allowance for doubtful recovery. At the year end the Group did not hold any collateral or other credit enhancements over these balances nor did it have a legal right of offset against any amounts owed by the Group to the counterparties.

Ageing of past due, but not impaired, trade receivables:

	2017 £	2016 £
Less than 60 days	5,402,682	3,803,998
60-90 days	-	111,919
90-120 days	591,311	6,685
Over 120 days	118,946	543,322
Total	<u>6,112,939</u>	<u>4,465,924</u>

Movement in allowance for doubtful debts:

	2017 £	2016 £
Balance at 1 January	102,978	139,264
Impairment losses recognised	-	21,656
Impairment losses reversed	(45,281)	(79,827)
Foreign exchange differences	4,257	21,885
Balance at 31 December	<u>61,954</u>	<u>102,978</u>

Ageing of impaired trade receivables:

	2017 £	2016 £
Over 120 days	57,160	102,978
Total	<u>57,160</u>	<u>102,978</u>

The designated members consider that the carrying amounts of trade and other receivables is approximately equal to their fair value.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

17. Trade and other payables

	2017 £	2016 £ Restated*
Trade creditors and accruals	5,946,798	4,260,698
Other taxes and social security	2,754,758	2,072,598
Other pensions	34,541	6,546
	<u>8,736,097</u>	<u>6,339,842</u>

*Certain amounts shown do not correspond to the 2016 financial statements and reflect adjustments made (see note 5)

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 7 days (2016: 13 days).

18. Financial instruments

Capital risk management

The capital structure of the Group consists of equity attributable to equity holders of the Partnership, comprising issued capital, reserves and retained earnings. The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns.

The Partnership's subsidiary company, Principal Real Estate Limited (formerly INTERNOS Global Investors Limited), is regulated by the Financial Conduct Authority ("FCA"). In order to meet its FCA obligations, Principal Real Estate Limited has decided to approach the Internal Capital Adequacy Assessment Process (ICAAP) by adopting the Pillar 1 minimum capital requirement and then assessing whether any extra capital proportionate to non-Pillar 1 risk is required by reference to the assessed key material risks to the business.

Financial risk management objectives

The Group's activities in the year exposed it to a number of financial risks, including cash flow risk, exchange rate risk, credit risk and liquidity risk. The use of financial derivatives to manage risk is governed by the Group's policies approved by the Group's Management Board. The Group does not use financial derivative instruments for speculative purposes.

Key financial risks during the year were considered as follows:

Cash flow and exchange rate risk

During the year, the Group's fee income has been mainly generated in Euro, while there was a significant sterling cost base. To manage the risk the Group completed a weekly review of its cash position and closely monitored the receipt of the management fees from assets under management and the cash requirements, in Euro and sterling, of the various Group entities. The Group has sought, wherever possible, to provide funding to each entity, when required, in the same currency denomination as the entity being funded. A forecast of the Group's currency requirements has been prepared and the forecast requirement has been retained in the relevant currency, with Euro balances being sold against sterling, or vice-versa, when considered appropriate.

The impact on exchange rates of the United Kingdom decision to leave the European Union has been considered as part of the weekly review of the cash forecast. Hedging opportunities to mitigate exchange rate risk were considered when necessary and as part of the annual budgeting process. The policy for subsidiaries has been that no hedging is required but exceptions to this are considered on a case by case basis.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

18. Financial instruments (continued)

Credit risk

The Group's principal financial assets during the year and at the year-end were cash deposits, trade and other receivables and investments. Its credit risk was primarily attributable to its trade receivables and cash deposits.

The trade receivable amounts presented in the balance sheet at the year-end are net of allowances for doubtful receivables. An allowance for impairment of receivables has been made where there was an identified loss event which, based on previous experience, was evidence of a reduction in the recoverability of the cash flows. The Group has analysed the concentration of its credit risk within trade receivables on an individual counterparty basis. A significant concentration was deemed to exist where an individual counterparty represented more than 10% of trade receivables. Since most of the Group's receivables were from funds managed and administered by the Group the credit risk has been straightforward to monitor and has been considered low.

The credit risk on liquid funds such as cash deposits was limited because the counterparties were banks with high credit-ratings assigned by international credit-rating agencies.

Foreign currency sensitivity analysis

The Group's subsidiaries main currency exposure is to the Euro, while the cost base of the Partnership and its principal UK trading entity is predominately in sterling. The sensitivity of the net assets of the Group to a 10% change in the value of sterling is £1.5m. (2016: £1.4m). The sensitivity of the income of the Group to a 10% change in the value of sterling is £2.1m. (2016: £1.8m).

Liquidity and interest risk

The Group's contractual maturity dates for its non-derivative financial assets and liabilities with agreed payment periods are all within one month.

Categories of financial instruments

	2017 £	2016 £ Restated*
Financial assets		
Cash and bank balances	13,474,015	11,503,332
Loans and receivables	6,188,020	5,229,610
Investments	607,076	748,640
Financial liabilities		
Financial liabilities at amortised cost	6,719,256	5,274,854
Retirement benefit obligations	655,026	603,005

*Certain amounts shown do not correspond to the 2016 financial statements and reflect adjustments made (see note 5)

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Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

19. Members' capital

	2017 £	2016 £
Balance at 1 January and 31 December	1,035,000	1,035,000

Members' capital contributions are determined by the members having regard to the working and regulatory capital needs of the business.

20. Notes to the cash flow statement

	2017 £	2016 £ Restated*
Consolidated operating profit for the year	455,895	2,430,414
Adjustments for:		
Amortisation of intangible assets (note 13)	83,530	397,825
Depreciation of property, plant and equipment (note 14)	56,236	102,981
Write-off of property, plant and equipment (note 14)	21,175	-
Gain on disposal of property, plant and equipment	(101)	-
Fair value adjustment of investments (note 15)	-	(4,457)
Impairment loss recognised on trade receivables (note 16)	-	21,656
Impairment loss reversed on trade receivables (note 16)	(45,281)	(79,827)
Adjustment to pension funding	(11,085)	(113,199)
Operating cash flows before movements in working capital	560,369	2,755,393
Increase in receivables	(710,424)	(234,671)
Increase in payables	2,501,356	1,459,420
Cash flows from operations	2,351,301	3,980,142
Interest received	126,486	20,045
Income taxes paid	(482,660)	(626,343)
Net cash flows from operating activities	1,995,127	3,373,844

*Certain amounts shown do not correspond to the 2016 financial statements and reflect adjustments made (see note 5)

21. Operating leases

At 31 December 2017, the Group had annual commitments under non-cancellable operating leases which fall due as follows:

	Land and Buildings	
	2017 £	2016 £
Not later than 1 year	1,015,352	1,017,209
Later than 1 year and not later than 5 years	1,936,561	1,149,596
Later than 5 years	153,544	414,666

Operating lease payments represent rentals payable by the Group for its office accommodation.

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Notes to the consolidated financial statements (continued)

For the year ended 31 December 2017

22. Non-controlling interest

The non-controlling interest represents a 5.1% ownership in Principal Real Estate Spezialfondsgesellschaft mbH, (formerly INTERNOS Spezialfondsgesellschaft mbH) ("PSG") recognised from the date of acquisition on 1 November 2013, and a 5.1% ownership in Principal Real Estate Kapitalverwaltungsgesellschaft mbH (formerly INTERNOS Global Investors Kapitalverwaltungsgesellschaft mbH) ("PKVG"), sold to a third party on 14 November 2017.

	2017			2016
	£	£	£	£
	PSG	PKVG	Total	PSG
Balance at 1 January	153,304	-	153,304	142,703
Share of capital	-	24,904	24,904	
	153,304	24,904	178,208	142,703
Movement during the year:				
Share of:				
- reserves	-	78,411	78,411	-
- profit for the year	(49,071)	2,782	(46,289)	10,046
- foreign exchange differences	6,410	1,105	7,515	20,619
- movement in pension reserves	(565)	-	(565)	(5,773)
- amortisation of cost of acquired future contracts	-	-	-	(14,291)
	(43,226)	82,298	39,072	10,601
Total movement during the year	(43,226)	107,202	63,976	10,601
Balance at 31 December	110,078	107,202	217,280	153,304

The amount recognised in respect of the assets acquired and liabilities assumed are as set out in the table below.

	2017			2016
	£	£	£	£
	PSG	PKVG	Total	PSG
Total assets	4,425,638	3,892,964	8,318,602	4,999,915
Total liabilities	(2,267,260)	(1,790,943)	(4,058,203)	(1,993,951)
Net asset value	2,158,378	2,102,021	4,260,399	3,005,964
Share capital	855,945	482,164	1,338,109	855,945
Reserves	1,302,433	1,619,857	2,922,290	2,150,019
Total equity	2,158,378	2,102,021	4,260,399	3,005,964
Non-controlling interest ownership	5.1%	5.1%	5.1%	5.1%
Share of non-controlling interest, including the fair value of acquired future contracts	110,077	107,203	217,280	153,304

Sentrino LLP

Partnership balance sheet

At 31 December 2017

	Notes	2017 £	2016 £
Non current assets			
Investment in subsidiaries	24	187,111	100
Total non current assets		<u>187,111</u>	<u>100</u>
Current assets			
Trade and other receivables		121,745	6,111
Loans receivable from other Group entities		-	125,000
Amounts due from members		570,565	-
Cash and cash equivalents	25	478,581	560,086
Total current assets		<u>1,170,891</u>	<u>691,197</u>
Total assets		<u>1,358,002</u>	<u>691,297</u>
Current liabilities			
Trade and other payables	26	(665,237)	(26,892)
Loans payable to other Group entities	26	(209,189)	(89,833)
Amounts due to members		-	(90,996)
Total current liabilities		<u>(874,426)</u>	<u>(207,721)</u>
Total liabilities		<u>(874,426)</u>	<u>(207,721)</u>
Net assets		<u>483,576</u>	<u>483,576</u>
Members' equity			
Members' capital		1,035,000	1,035,000
Reserves		(551,424)	(551,424)
Total members' equity		<u>483,576</u>	<u>483,576</u>
Members' interests			
Members' capital		1,035,000	1,035,000
Reserves		(551,424)	(551,424)
Loans due to members		(570,565)	90,996
Total members' interests		<u>(86,989)</u>	<u>574,572</u>

The notes on pages 51 to 54 form part of these financial statements.

The financial statements of Sentrino LLP (registered number OC327324) were approved and authorised for issue by the designated members on 18 October 2018 and signed on behalf of the members by:



A.D. Thornton
Designated Member (Chief Executive Officer)

Sentrino LLP

Partnership statement of changes in members' equity

For the year ended 31 December 2017

	Members' capital £	Reserves £	Total £	Loans and other debts due to members £	Total £
Balance at 1 January 2016	1,035,000	(551,424)	483,576	88,802	572,378
Total profit for the year for allocation among members	-	564,870	564,870	-	564,870
Total profit allocated to members	-	(564,870)	(564,870)	564,870	-
Amount due to members	-	-	-	(562,676)	(562,676)
Balance at 1 January 2017	1,035,000	(551,424)	483,576	90,996	574,572
Total profit for the year for allocation among members	-	(96,119)	(96,119)	-	(96,119)
Total profit allocated to members	-	96,119	96,119	(96,119)	-
Amount due to members	-	-	-	(565,442)	(565,442)
Balance at 31 December 2017	1,035,000	(551,424)	483,576	570,565	(86,989)

Sentrino LLP

Partnership cash flow statement

For the year ended 31 December 2017

	Notes	2017 £	2016 £
Net cash from operating activities	27	483,460	1,049,165
Financing activities			
Interest paid		(95)	(152)
Payments to members		(564,870)	(491,055)
Net cash used in financing activities		(564,965)	(491,207)
Net (decrease)/increase in cash and cash equivalents		(81,505)	557,958
Cash and cash equivalents at beginning of year		560,086	2,128
Cash and cash equivalents at end of year		478,581	560,086

Notes to the Partnership financial statements

For the year ended 31 December 2017

23. Significant accounting policies

The separate financial statements of the Partnership are presented as required by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006). As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS). The Partnership is taking advantage of the exemption under s408 from preparing the stand alone Partnership's income statement when presented with the Group's financial statements. The amount of loss dealt with in the accounts of the Partnership is £96,024 (2016: Profit of £564,870)

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment. On an annual basis, the Partnership assesses if there are any indicators of impairment by comparing the net asset value of each subsidiary to its carrying amount. If the net asset value is lower than the carrying amount, the Partnership assesses if the investment is impaired. If the recoverable amount of the investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount and an impairment loss is recognised immediately in the statement of comprehensive income.

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised.

24. Investment in subsidiaries

Details of the Partnership's subsidiaries at 31 December 2017 are as follows:

	Place of incorporation (or registration) and operation	Proportion of voting power and ownership interest and held	
		2017	2016
Principal Real Estate Europe Limited (formerly INTERNOS Holdings Limited)**	United Kingdom	100%	100%
Principal Real Estate Limited (formerly INTERNOS Global Investors Limited)**	United Kingdom	100%	100%
Sentrino General Partner Limited (formerly INTERNOS Securities General Partner Limited)	United Kingdom	100%	100%
INTERNOS Real Estate Securities Limited Partnership*	United Kingdom	100%	100%
INTERNOS 51B Limited*	United Kingdom	100%	100%
INTERNOS Investments (GO) Limited*	United Kingdom	100%	100%
INTERNOS Real Estate Limited (formerly Halverton Limited)***	United Kingdom	100%	100%
Sentrino Management Limited (formerly INTERNOS Management Limited)	United Kingdom	100%	100%
Sentrino Investments Limited (formerly INTERNOS Global Investments Limited)	United Kingdom	100%	100%
Sentrino Capital Limited (formerly INTERNOS Capital Investment Limited)	United Kingdom	100%	100%
Principal Opportunity Fund LP (formerly INTERNOS Tactical European Real Estate I LP)**	United Kingdom	100%	100%
Principal Real Estate Kapitalverwaltungsgesellschaft mbH (formerly INTERNOS Global Investors Kapitalverwaltungsgesellschaft mbH)**	Germany	94.9%	100%
Principal Real Estate Spezialfondsgesellschaft mbH (formerly INTERNOS Spezialfondsgesellschaft mbH)**	Germany	94.9%	94.9%
Principal Real Estate GmbH**	Germany	100%	100%
Eilean Donan & Co KG	Germany	94%	94%
INTERNOS GmbH	Germany	100%	100%

Sentrino LLP

Notes to the Partnership financial statements

For the year ended 31 December 2017

24. Investment in subsidiaries (continued)

	Place of incorporation (or registration) and operation	Proportion of voting power and ownership interest and held	
		2017	2016
Principal Real Estate S.a.r.l (formerly INTERNOS S.a.r.l)**	Luxembourg	100%	100%
Principal Real Estate S.A.S (formerly INTERNOS Global Investors S.A.S)**	France	100%	100%
Benelux Industrial Partnership General Partner B.V.**	Netherlands	100%	100%
Principal Real Estate B.V.**	Netherlands	100%	100%
Principal Real Estate S.L.**	Spain	100%	100%
Principal Hotel Immobilienfonds II General Partner S.a.r.l,	Luxembourg	100%	-

* These subsidiaries were liquidated during the year.

** These subsidiaries were disposed of following the year end.

*** A 5.1% interest in Principal Real Estate Kapitalverwaltungsgesellschaft mbH (formerly INTERNOS Global Investors Kapitalverwaltungsgesellschaft mbH) was sold during the year

The investments in subsidiaries are all stated at cost, less any provisions for impairment. At 31 December 2017, the Partnership had a direct investment in Principal Real Estate Europe Limited (formerly INTERNOS Holdings Limited). Sentrino Capital Limited and Sentrino Management Limited, were transferred from Principal Real Estate Limited (formerly INTERNOS Global Investors Limited) to the Partnership at €167,000 on 18 December 2017 and at €46,000 on 22 December 2017 respectively.

	2017 £
Cost	
At 1 January 2017	
Principal Real Estate Europe Limited (formerly Internos Holdings Limited)	100
Sentrino General Partner Limited (INTERNOS Securities General Partner Limited)	924
	<u>1,024</u>
Additions	
Sentrino Capital Limited	147,141
Sentrino Management Limited	39,870
	<u>187,011</u>
	<u>188,035</u>
At 31 December 2017	
Provisions for impairment	
At 1 January and 31 December 2017	(924)
	<u>187,111</u>
Net book value	
At 31 December 2017	<u>187,111</u>
At 31 December 2016	<u>100</u>

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Notes to the Partnership financial statements

For the year ended 31 December 2017

25. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Partnership and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

26. Current liabilities

a) Trade and other payables

Trade payables principally comprise amounts outstanding for trade purchases and other administrative costs. The Partnership's policy is to agree terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment.

	2017	2016
	£	£
Payables	5,790	-
Accruals	659,447	26,892
	<u>665,237</u>	<u>26,892</u>

The carrying amount of trade payables approximates to their fair value.

b) Loans with other Group entities

At the balance sheet date amounts due to fellow Group entities amounted to £209,189 (2016: £89,833 debtor). The carrying amount of these balances approximates to their fair value. At 31 December 2017, there were no past due or impaired receivable balances (2016: £Nil).

27. Notes to cash flow statement

	2017	2016
	£	£
Operating profit for the year	(96,024)	565,023
Operating cash flows before movements in working capital	(96,024)	565,023
Decrease in trade and other receivables	9,366	471,601
Increase in trade and other payables	570,118	12,541
Cash flow from operating activities	483,460	1,049,165
Interest received	-	-
Net cash from operating activities	483,460	1,049,165

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Notes to the Partnership financial statements

For the year ended 31 December 2017

28. Related party transactions

During the year, the Partnership charged management fees totalling £500,000 (2016: £500,000) to Principal Real Estate Limited. As at 31 December 2017, the management fees had been received (2016: £125,000).

The Partnership also charged an annual management fee of £75,000 (2016: £75,000) to Principal Real Estate Limited. As at 31 December 2017, no fees charged for the year were outstanding (2016: £nil).

During the year the Group issued fee invoices (in Euro) to the following entities that are ultimately owned, in part, by entities within the Group:

	2017		2016	
	Fee	Balance at 31 December	Fee	Balance at 31 December
	€	€	€	€
Entities				
Azorallom S.L	88,900	-	175,000	-
Torre dos Oceanus S.A	124,896	-	128,731	-
QDF, S.A	199,639	8,196	183,640	-
OCM Luxembourg QDF S.a.r.l	6,250	-	6,000	-
OCM Torre Zen S.a.r.l	(1,396)	-	12,989	7,989
Deutsche Real Estate Funds Advisor S.a.r.l	-	-	50,000	-
Heylo Housing Limited	331,379	-	-	-

Remuneration of key management personnel

The remuneration of the designated members, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2017	2016
	£	£
Short term employee benefits	66,849	65,294

29. Off-balance sheet commitments and contingencies

The Partnership has no off-balance sheet commitments or contingencies that require recognition or disclosure in the financial statements.

30. Subsequent events

On 29 November 2017, the Partnership agreed to sell its subsidiary, Principal Real Estate Europe Limited (formerly INTERNOS Holdings Limited) and most of its subsidiaries to Principal Financial Group Inc. ("Principal"), subject to regulatory approval. The requisite regulatory approvals were received after the year end and the sale was completed on 16 April 2018 and the Partnership was renamed Sentrino LLP. Under the terms of the sale agreement, initial consideration was received with the potential for further deferred consideration being receivable on the achievement of certain targets after 3 years.

In September 2018, the single asset owned by OCM Luxembourg QDF S.a.r.l., was sold. The aggregate proceeds received by the Sentrino Group following the sale were not materially different from the valuation of the investment in the financial statements at the year end (see note 15).