

Pramerica PRECAP II GP LLP

**Annual report and financial
statements**

**Registered number OC394794
31 December 2016**



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Information

Designated Members

PGIM Financial Limited
PGIM (Scots) Limited

LLP Registered Number

OC394794

Registered Office

Grand Buildings
1-3 Strand
Trafalgar Square
London
WC2N 5HR

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Solicitors

CMS Cameron McKenna LLP
Mitre House
160 Aldersgate Street
London
EC1A 4DD

Members' report

The members present their report together with the audited financial statements for the year ended 31 December 2016.

Principal activity

On 13 August 2014, Pramerica PRECAP II GP LLP (the 'LLP') was incorporated. On 15 December 2014, the LLP was assigned 50% of the interests and entitlements in Pramerica Real Estate Capital II LP (the 'Partnership') held by Pramerica Real Estate Capital II GP Limited (the 'Original GP'). On 20 May 2015, the LLP was assigned the remaining 50% of the interests and entitlements in the Partnership held by the Original GP. Under the terms of the limited partnership agreement for the Partnership, the LLP will act as General Partner to the Partnership. The principal purpose of the Partnership is to identify opportunities to invest in real estate related mezzanine loans on behalf of investors.

The activities and operation of the Partnership are governed by the terms of the Limited Partnership Agreement. The LLP as General Partner is responsible for the management and operation of the Partnership. The Partnership, acting through the General Partner, may appoint a manager to operate the business and affairs of the Partnership and its assets, under the supervision and authority of the General Partner. The LLP as General Partner has appointed PGIM Limited, which is authorised and regulated by the UK Financial Conduct Authority, to act as the Manager of the Partnership under the terms of the management agreement.

Designated members

The designated members during the year ended 31 December 2016 are as follows:

PGIM Financial Limited
PGIM (Scots) Limited

Members' drawings and the subscription and repayment of members' capital

The repayment of any member's capital contributions is at the discretion of the members, as a whole. Members are entitled to an allocation of profits pro-rata to their capital contributions. The net losses of the Partnership (if any) incurred in each year shall be borne by the Partnership.

Members' report *(continued)*

Statement of members' responsibilities in respect of the financial statements

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

Company law requires the members to prepare financial statements for each financial year. Under that law the members have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing the financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership 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 and 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.

The members 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.

Disclosure of information to auditors

As far as the members are aware, there is no relevant audit information of which the LLP's auditors are unaware. The members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

On behalf of the members



P.M. Barrett
Director of PGIM Financial Limited
16 May 2017

Independent auditors' report to the members of Pramerica PRECAP II GP LLP

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, Pramerica PRECAP II GP LLP's financial statements (the "financial statements"):

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2016 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

What we have audited

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

- the Balance Sheet as at 31 December 2016;
- the Profit and Loss Account for the year then ended;
- the Statement of Changes in Members' Interests for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the members

As explained more fully in the Statement of member's responsibilities in respect of the financial statements set out on page 3, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability

***Independent auditors' report to the members of Pramerica PRECAP II GP LLP
(continued)***

Responsibilities for the financial statements and the audit (continued)

Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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

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

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

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

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



Jennifer March (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 May 2017

Profit and Loss Account
for the year ended 31 December 2016

	<i>Note</i>	2016 €	For the period from 13 August 2014 to 31 December 2015 €
Turnover	3	100	100
Administrative expenses		<u>-</u>	<u>-</u>
Operating profit	4	<u>100</u>	<u>100</u>
Profit for the financial year/period before members' remuneration and profit shares		<u>100</u>	<u>100</u>
Members' remuneration charged as an expense		<u>(100)</u>	<u>(100)</u>
Result for the financial year/period available for discretionary division among members		<u>-</u>	<u>-</u>

The notes on pages 9 to 12 form part of the financial statements.

Balance Sheet
as at 31 December 2016

The notes on pages 9 to 12 are an integral part of these financial statements.

	<i>Note</i>	2016 €	2015 €
Fixed assets			
Investments	5	1,000	1,000
Current assets			
Debtors	6	<u>202</u>	<u>102</u>
		202	102
Creditors – amounts falling due within one year	7	<u>(1,000)</u>	<u>(1,000)</u>
Net current liabilities		(798)	(898)
Total assets less current liabilities		202	102
Net assets attributable to members		<u>202</u>	<u>102</u>
Represented by:			
Loans and other debts due to members within one year			
Other amounts		<u>200</u>	<u>100</u>
Members' other interests			
Members' capital classified as equity		<u>2</u>	<u>2</u>
Total members' interests		<u>202</u>	<u>102</u>

The financial statements on pages 6 to 12 were approved by the members on 16 May 2017 and were signed on its behalf by:



H. Day
Director of designated member

Registered number OC394794

Statement of Changes in Members' Interests
for the year ended 31 December 2016

	EQUITY Members' Other Interests	DEBT Loans and other debts due to members less any amounts due from members in debtors	TOTAL MEMBERS' INTERESTS
	Members' Capital Classified as equity	Other amounts	
	€	€	€
Balance at 13 August 2014	-	-	-
Members' remuneration charged as an expense	-	100	100
Result for the financial period available for discretionary division among members	-	-	-
Members' interests after result for the period	-	100	100
Introduced by members	2	-	2
Balance at 31 December 2015	2	100	102
Members' remuneration charged as an expense	-	100	100
Result for the financial year available for discretionary division among members	-	-	-
Members' interests after result for the year	-	100	100
Introduced by members	-	-	-
Balance at 31 December 2016	2	200	202

Notes to the financial statements

1. General information

Pramerica PRECAP II GP LLP (the 'LLP') is a limited liability partnership and is incorporated and domiciled in the United Kingdom. The Registered office of the LLP is Grand Buildings, 1-3 Strand, Trafalgar Square, London, WC2N 5HR.

The LLP acts as a General Partner to Pramerica Real Estate Capital II LP (the 'Partnership'), under a Limited Partnership Agreement, established and registered in England and Wales under the Limited Partnerships Act 1907, between the LLP and certain limited partners. The principal purpose of the Partnership is to make investments, together with other qualified institutional investors, in closed-end private investment vehicles, which hold equity and equity-related securities of real estate operating companies and real estate business ventures.

The financial statements are presented in Euro (€) which is also the LLP's functional currency.

The LLP is jointly owned by PGIM (Scots) Limited and its parent, PGIM Financial Limited. It is included in the consolidated results of both PGIM Financial Limited and its ultimate parent, Prudential Financial Inc. both of which are publically available. PGIM Financial Limited's financial statements are available at Grand Buildings, 1-3 Strand, Trafalgar Square, London, WC2N 5HR and also from the Registrar of Companies. Prudential Financial Inc.'s financial statements are available at 751 Broad Street, Newark, NJ 07102.

2. Accounting policies

Basis of preparation

The LLP is preparing its financial statements in accordance with *Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland* ('FRS 102'). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006, as applied to limited liability partnerships and applicable accounting standards in the United Kingdom and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" effective 1 January 2015.

Given the nature of the LLP's business no significant judgements or estimates are required. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

Going concern

The designated parties of the LLP are comfortable that it has sufficient means to continue in business for the foreseeable future and at least the next twelve months, and consequently the financial statements have been prepared on a going concern basis. The LLP has net current liabilities, however, PGIM Financial Limited would be in a position to support if the need should arise, as evidenced by a Letter of Support provided to the LLP.

a) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The LLP is a member of the PGIM Financial Limited and Prudential Financial Inc. Groups both of which prepare consolidated, publicly available financial statements. As a result, in accordance with Section 7 of FRS 102 and paragraph 3.17(d), the LLP is exempt from the requirement to prepare a cash flow statement under FRS 102 as the cash flows of the LLP are included in the consolidated cash flow statement of the parent company, PGIM Financial Limited.

Notes to the financial statements (continued)

2. Accounting policies (continued)

b) *Turnover*

Turnover comprises General Partner priority profit share received in the LLPs role as General Partner. These are recognised on an accruals basis.

c) *Fixed asset investments*

Investments are stated at cost less impairment.

d) *Foreign currencies*

Functional and presentation currency

Items included in the financial statements of the LLP are measured using the currency of the primary economic environment in which the LLP operates (the 'functional currency').

Foreign currency transactions

Transactions in foreign currencies are translated at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies, outstanding at the balance sheet date, are translated at the exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account specifically in the administrative expenses. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

e) *Taxation*

The taxation payable on profits is the personal liability of the members and accordingly the LLP has no tax expense.

f) *Members' remuneration and interests*

Members' rights to participate in the profits or losses, or assets of the LLP are analysed between those that give rise to, from the LLP's perspective, either a financial liability or equity, in accordance with Section 11 and 12, of FRS 102 – 'Basic Financial Instruments' and 'Other Financial Instruments Issues' and Section 22 of FRS 102 'Liabilities and Equity'. Members' different participation rights are analysed separately into liability and equity elements. Where the LLP has a contractual obligation to deliver cash or another financial asset to the member in respect of such amounts, it is treated as a liability. Where the repayment of the members' capital is discretionary it is treated as equity.

Members' remuneration

Non-discretionary amounts becoming due to members in respect of participation rights in the profits of the LLP for an accounting period that give rise to liabilities are presented as an expense within the Profit and Loss Account within the heading Members' remuneration charged as an expense).

g) *Related parties*

The LLP discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

h) *Employee information*

There were no employees in the current year (2015:nil).

Notes to the financial statements (continued)

2. Accounting policies (continued)

i) Debtors

A regular review is performed of all the LLP's receivables. If there is significant uncertainty regarding the recoverability of any of its debtors, a provision is recognised. If there is strong evidence indicating the amounts recognised in the Balance Sheet will not be recovered, they will be written off. Debtors are recognised initially at fair value and subsequently measured at amortised cost less provision for impairments.

j) Creditors

Creditors are recognised initially at fair value and subsequently measured at amortised cost.

3. Turnover

Turnover relates to priority profit shares from the Partnership and is wholly generated in the UK.

4. Operating profit

The auditors' remuneration in respect of audit services provided to the LLP amounts to €4,897 (2015: €8,948) and is borne by the member, PGIM Financial Limited.

5. Investments

	2016 €	2015 €
Investment in Pramerica Real Estate Capital II LP	<u>1,000</u>	<u>1,000</u>

The registered office for Pramerica Real Estate Capital II LP is Grand Buildings, 1-3 Strand, Trafalgar Square, London, WC2N 5HR.

6. Debtors

	2016 €	2015 €
Current		
Amounts owed by the Members	2	2
Amounts owed by the Partnership	<u>200</u>	<u>100</u>
	<u>202</u>	<u>102</u>

Amounts included within amounts owed by the Members and the Partnership are interest free, unsecured and repayable on demand. The LLP has not suffered any losses as a result of trade debtor or counterparty defaults during the year and as a result management does not believe that any provision is required for bad and doubtful debts.

7. Creditors – amounts falling due within one year

	2016 €	2015 €
Amounts falling due within one year		
Amounts owed to the Partnership	<u>1,000</u>	<u>1,000</u>

Amounts included within amounts owed to the Partnership are interest free, unsecured and repayable on demand.

Notes to the financial statements (continued)

8. Related parties

The LLP acted as a General Partner to the Partnership. Related parties comprise the Partnership.

	Revenue Charged to:		Administrative expenses incurred from:	
	2016 €	For the period from 13 August 2014 to 31 December 2015 €	2016 €	For the period from 13 August 2014 to 31 December 2015 €
Affiliates of the LLP	<u>100</u>	<u>100</u>	<u>-</u>	<u>-</u>
	Receivables Outstanding		Payables Outstanding	
	2016 €	For the period from 13 August 2014 to 31 December 2015 €	2016 €	For the period from 13 August 2014 to 31 December 2015 €
Affiliates of the LLP	<u>200</u>	<u>100</u>	<u>1,000</u>	<u>1,000</u>