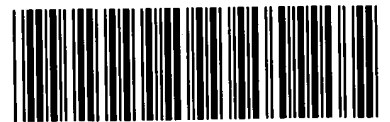


**Talos Properties Limited**  
**Directors' Report and Audited Financial Statements**  
**For the year ended 31 December 2018**  
**Registered number 8606402**

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**Talos Properties Limited**

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**Financial Statements for the year ended 31 December 2018**

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## **Talos Properties Limited**

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### **Company information**

#### **Directors**

Hunada Nouss (resigned 1 February 2018)  
Simon Lloyd\*  
Eleanor Boddington (appointed 1 February 2018; resigned 24 May 2018)  
Shalin Punn (appointed 24 May 2018; resigned 9 November 2018)  
Bradley Duncan (appointed 13 March 2019)  
Jonathan Watts (appointed 13 March 2019)

\* Non-executive

#### **Company secretary**

Eleanor Boddington (resigned 1 February 2018)  
Shalin Punn (appointed 1 February 2018; resigned 9 November 2018)  
Cargil Management Services Limited (appointed 9 November 2018)

#### **Registered address**

7 Clifford Street,  
London, W1S 2FT,  
England

#### **Investment Manager**

TCI Fund Management Limited  
7 Clifford Street,  
London, W1S 2FT,  
England

#### **Administrator**

Citco Fund Services (Ireland) Limited  
Custom House Plaza, Block 6,  
International Financial Services Centre,  
Dublin 1,  
Ireland

#### **Independent Auditors**

KPMG  
1 Harbourmaster Place,  
International Financial Services Centre,  
Dublin 1,  
Ireland

## **Talos Properties Limited**

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### **Directors' report for the year ended 31 December 2018**

The directors present their report together with the audited financial statements of Talos Properties Limited (the "Company"), for the year ended 31 December 2018.

#### **Principal activity and business review**

The Company is a private limited company incorporated under the laws of England & Wales on 11 July 2013. The investment objective of the Company is to invest in commercial property.

The directors are aware of, and are monitoring on an ongoing basis, the developments in relation to the UK withdrawal from the EU ("Brexit").

Due consideration is given to the potential impact of Brexit:

- (a) on its parent entity, The Children's Investment Fund Foundation (UK);
- (b) on the day-to-day operations of the Company;
- (c) on the investments of the Company; and
- (d) to the delivery of its investment strategies

#### **Future developments**

The directors continue to evaluate the economic environment to determine what opportunities are available to the Company. The directors do not expect any changes in the Company's activities in the foreseeable future.

#### **Results and dividends**

The directors are satisfied with the results for the year ended 31 December 2018 and will continue to work with the Investment Manager in pursuing its investment objectives.

The results for the year are shown in the statement of comprehensive income on page 9. The directors do not recommend payment of a dividend (31 December 2017: £nil).

#### **Financial risk management**

The narrative disclosure in relation to the Company's policies for financial risk management, including price risk, foreign currency risk, interest rate risk, credit risk and liquidity risk and the nature of financial instruments used during the year to mitigate exposure to these risks is shown in note 4 of these financial statements.

#### **Directors and secretary**

The directors of the Company during the year and at the date of this report were as follows:

Hunada Nouss (resigned 1 February 2018)

Simon Lloyd

Eleanor Boddington (appointed 1 February 2018; resigned 24 May 2018)

Shalin Punn (appointed 24 May 2018; resigned 9 November 2018)

Bradley Duncan (appointed 13 March 2019)

Jonathan Watts (appointed 13 March 2019)

The secretary of the Company during the year and at the date of this report is as follows:

Eleanor Boddington (resigned 1 February 2018)

Shalin Punn (appointed 1 February 2018; resigned 9 November 2018)

Cargil Management Services Limited (appointed 9 November 2018)

The directors are not entitled to receive a fee from the Company for the year ended 31 December 2018 and 31 December 2017.

**Directors' report (continued)  
for the year ended 31 December 2018**

**Transactions involving directors**

There were no transactions involving directors during the current and previous year.

**Directors' interests**

There was no shareholding in the Company by any director or the secretary during the current year and the prior year.

**Disclosure of information to the auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**Subsequent events**

Details of subsequent events are set out in note 12 of the financial statements.

**Going concern**

The directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

By order of the board of directors



Jonathan Watts  
Director

Date: 7 June 2019

**Statement of directors' responsibilities in respect of the Directors' Report and the Financial Statements**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

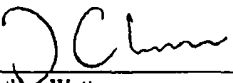
Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board of directors

  
\_\_\_\_\_  
Jonathan Watts  
Date: 7 June 2019



KPMG  
Audit  
1 Harbourmaster Place  
IFSC  
Dublin 1  
D01 F6F5  
Ireland

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TALOS PROPERTIES LIMITED**

### **Report on the audit of the financial statements**

#### ***Opinion***

We have audited the financial statements of Talos Properties Limited (the 'Company') for the year ended 31 December 2018, which comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows, and related notes, including the summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is UK Law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

#### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (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.

#### ***We have nothing to report on going concern***

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. We have nothing to report in these respects.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TALOS PROPERTIES LIMITED (continued)**

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

### ***Other information***

The directors are responsible for the other information presented in the annual report together with the financial statements. The other information comprises the information included in the directors' report and statement of directors' responsibilities. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information;

- we have not identified material misstatements in the directors report;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2006.

### ***Matters on which we are required to report by exception***

Under the Companies Act 2006 we are required 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
- certain disclosures of directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.





## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TALOS PROPERTIES LIMITED (continued)**

### **Respective responsibilities and restrictions on use**

#### ***Responsibilities of directors for the financial statements***

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company'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 they either intend to liquidate the Company 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 fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### ***The purpose of our audit work and to whom we owe our responsibilities***

Our report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Brian Clavin**  
for and on behalf of  
**KPMG, Statutory Auditor**  
1 Harbourmaster Place  
IFSC  
Dublin 1

**7 June 2019**

**Talos Properties Limited**

**Statement of financial position  
as at 31 December 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Investment properties	5	36,438,183	35,335,780
<b>Total fixed assets</b>		<b>36,438,183</b>	<b>35,335,780</b>
<b>Current assets</b>			
Cash and cash equivalents		3,105,374	4,669,133
Other assets		187,472	—
<b>Total current assets</b>		<b>3,292,846</b>	<b>4,669,133</b>
<b>Current liabilities</b>			
<i>Creditors: amounts falling due within one year</i>			
Charitable donation payable		1,993,339	2,093,657
Performance fee payable	7	197,195	1,450,308
Deferred tax provision		1,110,574	964,461
Other payables	8	616,878	639,734
<b>Total current liabilities</b>		<b>3,917,986</b>	<b>5,148,160</b>
<b>Net current liabilities</b>		<b>(625,140)</b>	<b>(479,027)</b>
<b>Total assets less current liabilities</b>		<b>35,813,043</b>	<b>34,856,753</b>
<b>Capital and reserves</b>			
Called up share capital	9	27,000,000	27,000,000
Profit and loss account		8,813,043	7,856,753
<b>Total capital and reserves</b>		<b>35,813,043</b>	<b>34,856,753</b>

On behalf of the board of directors



Jonathan Watts  
Director

Date: 7 June 2019

*The accompanying notes are an integral part of these financial statements*

**Talos Properties Limited**

**Statement of comprehensive income  
for the year ended 31 December 2018**

	Note	2018 £	2017 £
<b>Income</b>			
Rental income		2,511,462	2,449,014
Net gain on revaluation of investment properties	5	1,102,403	855,275
Other (losses)/gains arising on financial assets and financial liabilities		(7,975)	1,817
<b>Total income</b>		<b>3,605,890</b>	<b>3,306,106</b>
<b>Expenses</b>			
Charitable donation	11	1,993,339	2,093,657
Performance fees	7	392,822	114,507
Professional fees		60,798	16,225
Management fees	7	35,428	34,552
Administration fees	7	11,188	10,952
Audit fees	7	9,558	11,030
Interest expense		282	272
Other expenses		60	–
<b>Total expenses</b>		<b>2,503,475</b>	<b>2,281,195</b>
<b>Profit before taxation for the year</b>		<b>1,102,415</b>	<b>1,024,911</b>
Tax on profit	10	(146,125)	42,727
<b>Profit after taxation for the year</b>		<b>956,290</b>	<b>1,067,638</b>
Other comprehensive income		–	–
<b>Total comprehensive income</b>		<b>956,290</b>	<b>1,067,638</b>

*The accompanying notes are an integral part of these financial statements*

**Talos Properties Limited****Statement of changes in equity  
for the year ended 31 December 2018**

	<b>Called-up share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
<b>Balance as at 31 December 2016</b>	<b>27,000,000</b>	<b>6,789,115</b>	<b>33,789,115</b>
Profit for the year	—	1,067,638	1,067,638
Dividend paid	—	—	—
<b>Balance as at 31 December 2017</b>	<b>27,000,000</b>	<b>7,856,753</b>	<b>34,856,753</b>
Profit for the year	—	956,290	956,290
Dividend paid	—	—	—
<b>Balance as at 31 December 2018</b>	<b>27,000,000</b>	<b>8,813,043</b>	<b>35,813,043</b>

*The accompanying notes are an integral part of these financial statements*

**Talos Properties Limited****Statement of cash flows  
for the year ended 31 December 2018**

	2018 £	2017 £
<b>Cash flows from operating activities</b>		
Profit for the year	956,290	1,067,638
<b>Adjustments to reconcile net profit for the year from operations to net cash (used in)/provided by operating activities</b>		
Increase on revaluation of investment properties	(1,102,403)	(855,275)
Increase in other assets	(187,472)	-
Decrease in charitable donation payable	(100,318)	(494,996)
(Decrease)/increase in performance fee payable	(1,253,113)	114,506
Increase/(decrease) in deferred tax provision	146,113	(42,727)
Decrease in other payables	(22,856)	(77,623)
<b>Net cash used in operating activities</b>	<b>(1,563,759)</b>	<b>(288,477)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,563,759)</b>	<b>(288,477)</b>
Cash and cash equivalents at beginning of the year	4,669,133	4,957,610
<b>Cash and cash equivalents at end of the year</b>	<b>3,105,374</b>	<b>4,669,133</b>

*The accompanying notes are an integral part of these financial statements*

## **Talos Properties Limited**

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### **Notes to the financial statements 31 December 2018**

#### **1. Organisation**

Talos Properties Limited (the "Company") is a private limited company incorporated in England & Wales as a company limited by shares on 11 July 2013. The address of its registered office is 7 Clifford Street, London, W1S 2FT. The Company currently invests in commercial property.

The Company is a 100% owned subsidiary of Talos Properties Holdings Limited (the "Holding Company"). The Holding Company is a wholly owned subsidiary of The Children's Investment Fund Foundation (UK) ("CIFF UK"), a company limited by guarantee incorporated in England and Wales with a registered office at 7 Clifford Street, London, W1S 2FT.

The Company has no employees and had one non-executive director on average during the year. The Company's administration is delegated to Citco Fund Services (Ireland) Limited (the "Administrator").

The Company is availing of the small companies exemption to not prepare a strategic report under Section 414B of the Companies Act 2006.

#### **2. Significant accounting policies**

##### **(a) Statement of compliance**

The financial statements are prepared in accordance with Financial Reporting Standard ("FRS") 102 - the Financial Reporting Standard applicable in the UK and Republic of Ireland which is issued by the Financial Reporting Council in respect of its application in the United Kingdom.

##### **(b) Basis of preparation**

The financial statements have been prepared under the historical cost convention, modified to include investments at fair value.

##### **(c) Going concern**

The directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

##### **(d) Investments at fair value through profit or loss**

###### ***Investment properties***

Investment properties are properties held to earn rentals and held for capital appreciation. Investment properties are measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are stated at fair value through profit or loss. Gains or losses arising from changes in the fair values are included in the statement of comprehensive income in the period in which they arise.

Investments are derecognised when they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from their disposal.

Gains or losses on the disposal of investments are determined as the difference between net disposal proceeds and the carrying value of the assets in the previous full year financial statements and would be recognised in the statement of comprehensive income. No depreciation is provided in respect of investment properties held at fair value through profit or loss.

Notes to the financial statements  
31 December 2018

**2. Significant accounting policies (continued)**

**(e) Functional and presentation currency**

Items included in the Company's financial statements are measured using the Pound Sterling ("£"), the currency of the primary economic environment in which it operates (the "functional currency").

**Transactions and balances**

Non Pound Sterling denominated transactions are translated into Pound Sterling using the exchange rates recorded by the Administrator at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Non Pound Sterling currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date. Translation differences on non-monetary items, such as equities, debt securities, options and contracts for difference, held at fair value through profit or loss are reported as part of the fair value gain or loss.

**(f) Cash and cash equivalents**

Cash comprises of cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value, and are held for the purpose of the meeting of short-term cash commitments rather than for investments or other purposes. Cash is held with HSBC Bank at 31 December 2018 and 31 December 2017.

**(g) Income on fixed asset investments**

Unrealised gains or losses arise from changes in the fair value of the Company's investments in commercial property. They are included in the statement of comprehensive income in the period in which they arise.

**(h) Rental income**

Rental income is recognised in the statement of comprehensive income on an accruals basis and is receivable quarterly in advance.

**(i) Expenses**

All expenses are recognised in the statement of comprehensive income on an accruals basis.

**(j) Taxation**

Taxation is recognised in the statement of comprehensive income and is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Tax provisions are recognised where appropriate on the basis of amounts expected to be paid to the tax authorities.

**3. Critical accounting estimates and judgements**

Management make estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined in note 4.

Notes to the financial statements  
31 December 2018

3. Critical accounting estimates and judgements (continued)

*Investments at fair value through profit or loss*

The net assets of the Company include the real estate property value which is valued at fair value, determined by market value in accordance with valuations carried out by independent valuers on a sample of the portfolio.

Valuations are based on a number of key assumptions including an estimate of prime yield. The directors have extrapolated the valuations and methods used by the independent valuers to the remaining properties in the portfolio.

4. Risks associated with financial assets and financial liabilities

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability.

The Company may be exposed to market risk (which includes real estate risk, interest rate risk, and currency risk), liquidity risk and credit risk.

*Real estate risk*

The Company is exposed to various risk factors through its property investments. The investments could be adversely affected by a recession or general economic downturn where the properties are located. These risks are discussed in the financial statements of the Company.

*Interest rate risk*

The Company is not directly exposed to material interest rate risk as it currently has no loans payable. The directors regularly review its position with regard to interest rates in order to minimise the Company's risk.

*Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company does not hold assets denominated in currencies other than the Pound Sterling. The Company is therefore not exposed to material currency risk.

*Liquidity risk*

The Company's policy is to hold cash at a level sufficient to ensure that the Company has available funds to meet its liabilities as they fall due as well as meet unforeseen obligations.

*Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The credit risk on the Company's liquid funds is limited because the counterparty is a UK bank with an investment grade credit rating assigned by international credit rating agencies.

Credit risk also results from the possibility of a tenant of the Company's properties defaulting on a lease. The directors assess a tenants' credit worthiness prior to granting leases and have agreed guarantees on the leases with the ultimate parent of the tenants, which has an investment grade credit rating assigned by international credit rating agencies.



**Talos Properties Limited****Notes to the financial statements  
31 December 2018****5. Investment properties**

	2018 £	2017 £
Opening balance	35,335,780	34,480,505
Revaluations	1,102,403	855,275
Closing balance	<u>36,438,183</u>	<u>35,335,780</u>

The Company carries its investment property at fair value. The Company engages independent valuation specialists to determine the fair value of 4 different properties from the portfolio at each financial year end. Any fair value adjustments identified are also applied to the rest of the portfolio, resulting in an aggregate revaluation of £1,102,403 for the year ended 31 December 2018 (31 December 2017: £855,275).

**6. Operating leases**

The investment properties are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	2018 £	2017 £
Less than one year	2,510,421	2,479,429
Between one and five years	13,204,104	12,951,438
More than five years	68,930,102	71,693,189
	<u>84,644,627</u>	<u>87,124,056</u>

**7. Fees and expenses*****Administration fee***

The Company has entered into an administration agreement with the Administrator. The Administrator receives from the Company a monthly administration fee which is calculated as a percentage of the Company's net assets. The total administration fee for the year was £11,188 (31 December 2017: £10,952), of which £2,789 (31 December 2017: £6,486) was payable at year end.

***Investment Manager fees***

TCI Fund Management Limited is the Investment Manager to the Company. The calculation of the fees are described below:

***(a) Management fee***

The Company pays to the Investment Manager, monthly in arrears, a fee equal to one twelfth of 0.1% of the portfolio value of all the properties on the last day of the month. The portfolio value refers to the carrying value of all properties managed by the Investment Manager on behalf of the Company as determined in the preparation of the monthly Net Asset Value Statement by the Administrator. The total management fee for the year was £35,428 (31 December 2017: £34,552), of which £3,037 (31 December 2017: £2,945) was payable at year end.

Notes to the financial statements  
31 December 2018

7. Fees and expenses (continued)

*Investment Manager fees (continued)*

*(b) Performance fee*

The Company pays to the Investment Manager a performance fee (the "Performance Fee") upon the realisation of each property within a pool, provided however that no Performance Fee shall be payable upon a realisation which is:

- (i) a TCI Disposal (as defined below) required as a result of or made in connection with a breach or failure to comply with any investment objectives, policies or restrictions set out in the investment programme which relate to properties. A TCI Disposal means any disposal which is carried out by the Investment Manager acting on its own accord;
- (ii) a Talos Disposal (as defined below) at a price which is less than the purchase price of that property. A Talos Disposal means any disposal of a property which is carried out upon the instruction or request of either the Company or CIFF UK.

For the purpose of calculating the Performance Fee, properties will be grouped together into "Pools". The Properties held as at 11 July 2013 form the properties in the first Pool. The second Pool will consist of all properties entered into or acquired during the period which commences immediately after 11 July 2013 and ends on the earlier to occur of (i) the date on which a total of at least US\$50 million of new properties have been entered into or acquired; or (ii) 11 July 2015. No second pool has ever been entered into by the Company. The third pool will consist of all properties entered into or acquired during the period which commences immediately after the date of closure of the second Pool and ends on the earlier of (i) the date on which a total of at least US\$50 million new properties have been entered into or acquired; or (ii) 2 years from the date of closure of the second Pool. No third Pool has ever been entered into by the Company. Any subsequent properties will be grouped into additional Pools applying the same principles as set out above in establishing the third Pool.

The Performance Fee in respect of each property within a Pool shall be equal to the relevant percentage (as defined below) multiplied by the aggregate of Pool realised profit and any unrealised loss in respect of any property in the same Pool; less the aggregate of the net performance fees previously paid in respect of properties in the same Pool. If the calculation of a performance fee produces a negative number, the Company shall not be obliged to pay a performance fee on that determination date.

The Relevant Percentage in respect of each Pool is: (i) 0% if the Pool IRR is equal to or less than 6%; (ii) 7% if the Pool IRR is greater than 9.67% and (iii) prorated between 0% and 7% if the Pool IRR is between 6% and 9.67%. The total performance fee for the year was £392,822 (31 December 2017: £114,507), of which £197,195 (31 December 2017: £1,450,308) was payable at year end.

*Auditors' remuneration*

Auditors' remuneration for work carried out for the Company in respect of the financial year is as follows:

	2018 £	2017 £
Statutory audit	9,558	11,030
<b>Total</b>	<b>9,558</b>	<b>11,030</b>

**Talos Properties Limited****Notes to the financial statements  
31 December 2018****8. Creditors amounts falling due within one year**

Other payables in the statement of financial position is comprised of the following amounts as at 31 December 2018 and 31 December 2017:

	2018 £	2017 £
Administration fees payable	2,789	6,486
VAT payable	—	128
Tax fees payable	8,340	—
Audit fees payable	11,574	21,239
Deferred income	581,003	593,910
Other payables	10,135	15,026
Management fees payable	3,037	2,945
<b>Total</b>	<b>616,878</b>	<b>639,734</b>

**9. Share capital**

There is one class of ordinary shares. The shares have attached full voting, dividend and capital distribution (including winding up) rights; they do not confer any rights of redemption.

Set out below is the authorised and issued share capital of the Company as at 31 December 2018 and 31 December 2017:

	Number of shares	Nominal value £
<b>Authorised</b>		
Issued and fully paid shares of £1.00 each	<b>27,000,000</b>	<b>27,000,000</b>
	2018 £	2017 £
<b>Ordinary shares</b>		
Shares in issue at beginning of the year	27,000,000	27,000,000
Issued during the year	—	—
<b>Shares in issue at end of the year</b>	<b>27,000,000</b>	<b>27,000,000</b>

**Talos Properties Limited**

**Notes to the financial statements  
31 December 2018**

**10. Tax on profit**

	2018 £	2017 £
<b>(a) Tax charge/(income) included in the Statement of Comprehensive Income</b>		
Current tax charge	–	–
Deferred tax		
Origination and reversal of timing differences	204,633	(42,727)
Adjustment in respect of previous periods	(36,968)	–
Effect of change in tax rates	(21,540)	–
<b>Total deferred tax</b>	<b>146,125</b>	<b>(42,727)</b>
<b>Total tax charge/(income) for the year</b>	<b>146,125</b>	<b>(42,727)</b>
	2018 £	2017 £
<b>(b) Reconciliation of tax income</b>		
Profit before tax	1,102,415	1,024,911
The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19.00% (31 December 2017: average 19.25%)		
Profit multiplied by standard rate of (UK) corporation tax of 19.00% (31 December 2017: average 19.25%)	209,459	197,260
Effects of:		
Gift aid utilised in the year	–	(29,211)
Group relief	(4,826)	(3,438)
Indexation on fair valued investment properties	–	(188,123)
Adjustment from previous periods	(36,968)	–
Tax rate changes	(21,540)	(19,215)
<b>Tax charge/(income) for the year</b>	<b>146,125</b>	<b>(42,727)</b>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

## **Talos Properties Limited**

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### **Notes to the financial statements 31 December 2018**

#### **11. Related parties**

##### ***Directors' remuneration***

The directors are not entitled to receive a fee from the Company.

All of the directors were employees of the parent company, CIFF UK, throughout the year. There were no transactions between the directors and the Company during the year.

##### ***Shareholders***

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Company is wholly controlled by Talos Properties Holdings Limited which is a 100% owned subsidiary of CIFF UK. The financials of the Company are consolidated as part of the financials of CIFF UK.

During the year the Company made a charitable donation of £1,993,339 (31 December 2017: £2,093,657) to CIFF UK.

The directors are not aware of any related party transactions other than those disclosed in these financial statements.

#### **12. Subsequent events**

The directors have evaluated the events and transactions that have occurred through 7 June 2019, the date the financial statements were signed, and there are no items requiring adjustment of the financial statements or additional disclosure.

#### **13. Approval by the directors**

The financial statements were approved by the directors on 7 June 2019.