
PRESTBURY SIR 3 LIMITED

UNAUDITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 28 FEBRUARY 2022

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PRESTBURY SIR 3 LIMITED

COMPANY INFORMATION

Directors	N M Leslau S L Gumm T J Evans
Company secretary	S L Gumm
Registered number	09360996
Registered office	Cavendish House 18 Cavendish Square London W1G 0PJ

PRESTBURY SIR 3 LIMITED

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PRESTBURY SIR 3 LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2022

The directors present their report and the financial statements for the 11 month period ended 28 February 2022. Comparative figures relate to the year ended 31 March 2021.

Business review

The principal activity of the Company is to hold an investment in the A and B capital of PIHL Property LLP (the "LLP"). The LLP's most significant investment throughout the period and at the balance sheet date was a 5.2% interest in Secure Income REIT Plc ("SIR"), a UK Real Estate Investment Trust listed on the AIM market of the London Stock Exchange. The LLP also holds a 50% interest in a development site in Barbados. As at 28 February 2022, the Company's investment in the LLP was held at a fair value of £23.0 million, of which £21.3 million relates to the underlying SIR investment.

The Company holds 0.033% of the A capital of the LLP, which carries voting rights, and 33.33% of the B capital of the LLP, which does not carry voting rights but entitles the holder to a priority profit share equivalent to a return on equity invested of 9% per annum compounded annually. Its sister companies, Prestbury SIR 1 Limited and Prestbury SIR 2 Limited, each hold a further 0.033% of the A capital and 33.33% of the B capital.

The carrying value of the Company's investment in the LLP increased by £2.8 million during the period, largely reflecting an increase in the quoted SIR share price from 359.5p to 413p. This was offset by a deferred tax charge of £1.4 million from the Company's share of the taxable gains in the LLP, £0.9 million of which relates to an increase in the tax rate as a result of the increase in the UK corporation tax from 19% to 25% that will take effect in April 2023. The Company also received distributions of £0.6 million from the LLP and incurred a current tax charge of £0.1 million, which resulted in a profit of £1.9 million after tax for the period. Interim dividends of £16.3 million were paid during the period and as a result the Company's net assets fell from £33.6 million to £19.2 million.

The directors do not recommend payment of a final dividend.

Directors

The directors who served during the year and to the date of this report were:

N M Leslau
S L Gumm
T J Evans

Post balance sheet events

Since the balance sheet date, the Company's fixed asset investment (PIHL Property LLP or the "LLP") has exchanged its interest in Secure Income REIT Plc ("SIR") for cash and shares in LXi REIT Plc ("LXi"), a UK Real Estate Investment Trust listed on the main market of the London Stock Exchange, following the recommended merger of the two companies in a share for share exchange with a partial cash alternative.

The merger valued SIR shares at 475.5p each, which was equivalent to a fair value of £26.7 million for the Company's share of the investment in the LLP and which represents a gain net of tax of £4.4 million over the 28 February 2022 book value. On completion of the merger in July 2022 the Company effectively held a one third share of the LLP's investment in 44.3 million LXi shares, representing a 2.6% interest in LXi with a fair value in the LLP at that date of £64.3 million, and a one third share of cash of £5.6 million that the LLP had realised from the transaction.

Since the balance sheet date, the Company has received distributions of £6.0 million from the LLP and paid interim dividends of £5.4 million.

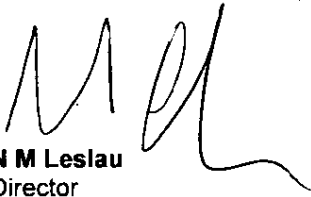
PRESTBURY SIR 3 LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 28 FEBRUARY 2022**

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 13 September 2022 and signed on its behalf.


N M Leslau
Director

PRESTBURY SIR 3 LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE PERIOD ENDED 28 FEBRUARY 2022**

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- 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 Company will continue in business.

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRESTBURY SIR 3 LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 28 FEBRUARY 2022**

		11 months ended 28 February 2022 £000	<i>Year ended 31 March 2021 £000</i>
	Note		
Administrative expenses		(4)	(6)
Operating loss	4	(4)	(6)
Income from other fixed asset investments		638	841
Reversal of impairment of investments	6	2,796	1,752
Profit before tax		3,430	2,587
Tax on profit	5	(1,508)	(549)
Profit and total comprehensive income for the financial period		1,922	2,038

The notes on pages 8 to 14 form part of these financial statements.

PRESTBURY SIR 3 LIMITED
REGISTERED NUMBER: 09360996

BALANCE SHEET
AS AT 28 FEBRUARY 2022

	Note	28 February 2022 £000	31 March 2021 £000
Fixed assets			
Investments	6	23,063	20,233
		<u>23,063</u>	<u>20,233</u>
Current assets			
Debtors: amounts falling due within one year	7	1	15,789
		<u>1</u>	<u>15,789</u>
Creditors: amounts falling due within one year	8	(64)	(101)
		<u>(63)</u>	<u>(101)</u>
Net current (liabilities)/assets		<u>(63)</u>	<u>15,688</u>
Total assets less current liabilities		<u>23,000</u>	<u>35,921</u>
Provisions for liabilities			
Deferred tax	9	(3,808)	(2,366)
		<u>(3,808)</u>	<u>(2,366)</u>
Net assets		<u>19,192</u>	<u>33,555</u>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account	11	19,192	33,555
		<u>19,192</u>	<u>33,555</u>

PRESTBURY SIR 3 LIMITED
REGISTERED NUMBER: 09360996

BALANCE SHEET (CONTINUED)
AS AT 28 FEBRUARY 2022


The directors consider that the Company is entitled to exemption from audit under section 479A of the Companies Act 2006.

The members have not required the Company to obtain an audit for the period in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13 September 2022.


N M Leslau
Director

The notes on pages 8 to 14 form part of these financial statements.

PRESTBURY SIR 3 LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 28 FEBRUARY 2022**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 April 2021	-	33,555	33,555
Comprehensive income for the period			
Profit for the period	-	1,922	1,922
Distributions to owners			
Dividends paid	-	(16,285)	(16,285)
At 28 February 2022	-	19,192	19,192

The notes on pages 8 to 14 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 April 2020	-	32,358	32,358
Comprehensive income for the year			
Profit for the year	-	2,038	2,038
Distributions to owners			
Dividends paid	-	(841)	(841)
At 31 March 2021	-	33,555	33,555

The notes on pages 8 to 14 form part of these financial statements.

PRESTBURY SIR 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2022

1. General information

The Company is a private company limited by shares, incorporated in England, and the registered office is Cavendish House, 18 Cavendish Square, London W1G 0PJ.

The financial statements are presented in Pounds Sterling, which is the functional currency of the Company, rounded to the nearest thousand, and relate to the 11 month period from 1 April 2021 to 28 February 2022. Comparative figures relate to the year ended 31 March 2021.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

2.2 Going concern

Taking into consideration future expectations of distributions receivable by the Company, the directors consider that the Company will be able to meet its liabilities as they fall due for the foreseeable future, being a period of at least twelve months from the date on which these financial statements are approved. Accordingly, these financial statements have been prepared on a going concern basis.

2.3 Fixed asset investments

The Company's investment in PIHL Property LLP was initially measured at its transaction price, which was considered to be the same as its fair value on acquisition, and is subsequently measured at fair value. Movements in fair value are shown in profit or loss.

2.4 Creditors

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

2.5 Tax

The tax expense for the period comprises current and deferred tax and is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, except that the recognition of a deferred tax asset is limited to the extent it is probable that it will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax balances are not recognised in respect of permanent differences and are not discounted.

PRESTBURY SIR 3 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 FEBRUARY 2022**

2. Accounting policies (continued)

2.6 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Accounting policies which have a significant bearing on the reported financial condition and results of the Company may require subjective or complex judgements. The principal ongoing area of judgement is the valuation of the Company's investment in PIHL Property LLP (the "LLP"), which in turn depends on:

- the valuation of the LLP's investment in shares of Secure Income REIT Plc ("SIR"). This valuation requires the directors to estimate the effect on the share price of the discount that would be required in order to sell the shares, given that the investment represents a material management holding (note 6). In determining that discount, the directors have considered the external advice the LLP has taken from Stifel Nicolaus Europe Limited, the nominated adviser and broker to SIR, and adopted a valuation that reflects that advice; and
- the directors' estimate of the fair value of the LLP's investment in a company which owns a development site in Barbados, which requires an assessment of local market conditions and the risk associated with the repatriation of cash from Barbados due to exchange controls, and consideration of the fact that the LLP has joint rather than sole control of the investment.

4. Operating loss

The Company has no employees and no director received any remuneration during the current period or prior year.

PRESTBURY SIR 3 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 FEBRUARY 2022**

5. Tax

	11 months ended 28 February 2022 £000	Year ended 31 March 2021 £000
Corporation tax		
Current tax on profit for the period	74	166
Adjustments in respect of previous periods	(8)	5
Deferred tax		
Origination and reversal of timing differences	1,442	378
Tax on profit on ordinary activities	1,508	549

Factors affecting tax charge for the period

The tax assessed for the period/year is lower than (2021 - *higher than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	11 months ended 28 February 2022 £000	Year ended 31 March 2021 £000
Profit on ordinary activities before tax	3,430	2,587
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	652	492
Effects of:		
Change in deferred tax rate	899	-
Taxable share of profit of PIHL Property LLP	666	537
Revaluation of investment in PIHL Property LLP not taxable	(531)	(332)
Distributions from PIHL Property LLP not taxable	(121)	(159)
Group relief	(49)	6
Adjustments in respect of prior periods	(8)	5
Total tax charge for the period/year	1,508	549

Factors that may affect future tax charges

With effect from 6 April 2023, the UK corporation tax rate will increase from 19% to 25% which will increase the level of current tax charge on any profits earned after that date..

PRESTBURY SIR 3 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 FEBRUARY 2022**

6. Fixed asset investments

	£000
Cost or valuation	
At 1 April 2021	20,233
Additions	34
Revaluations	2,796
At 28 February 2022	<u>23,063</u>

The Company holds interests in the A and B capital of PIHL Property LLP (the "LLP") acquired in January 2015 for cash consideration of £39.3 million. During the period, the Company made further capital contributions of £34,000 (2021 - £31,000) to the LLP.

The principal activity of the LLP is investment in real estate and real estate-backed investments. The Company has a 0.033% interest in the A capital of the LLP, which carries voting rights, and a 33.33% interest in the B capital of the LLP, which does not carry voting rights but entitles the holder to a priority profit share equivalent to a return on equity invested of 9% per annum compounded annually, providing that the underlying investments held by the LLP in aggregate generate a cash return in excess of 9% per annum.

The LLP's investments are a 5.2% (2021 - 5.2%) interest in the shares of Secure Income REIT Plc ("SIR"), a UK REIT listed on the AIM market of the London Stock Exchange and a 50% (2021 - 50%) interest in a development site in Barbados. The fair value of the LLP's investment in SIR reflects a discount of 8% (2021 - 8%) to the SIR share price at the balance sheet date, representing an estimate of the discount to market price that the directors believe would be required in order to sell the shares in the market, given that the investment represents a material management holding in SIR (see note 3). The fair value of the LLP's interest in the development site requires an assessment of local market conditions and the risk associated with the repatriation of cash from Barbados due to exchange controls.

The fair value of the Company's investment in the LLP also reflects the LLP's loans to its subsidiary undertakings and other investments, which are impaired to reflect an estimate of the amounts recoverable from the underlying entities. The carrying value of the investment has increased by £2.8 million during the period, largely reflecting gains on the LLP's underlying investment in SIR as a result of an increase in the SIR share price from 359.5p to 413p.

Further changes to the investment since the balance sheet date are disclosed in note 13.

PRESTBURY SIR 3 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 FEBRUARY 2022**

7. Debtors

	28 February 2022 £000	31 March 2021 £000
VAT recoverable	1	-
Amounts owed by parent undertaking	-	15,789
	<u>1</u>	<u>15,789</u>

Amounts owed by parent undertaking are interest free and repayable on demand.

8. Creditors: Amounts falling due within one year

	28 February 2022 £000	31 March 2021 £000
Trade creditors	-	2
Amounts owed to group undertakings	45	-
Corporation tax	13	93
Accruals and deferred income	6	6
	<u>64</u>	<u>101</u>

Amounts owed to parent undertaking are interest free and repayable on demand.

PRESTBURY SIR 3 LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28 FEBRUARY 2022**

9. Deferred tax

	11 months ended 28 February 2022 £000	Year ended 31 March 2021 £000
At beginning of period	(2,366)	(1,988)
Deferred tax charge	(1,442)	(378)
At end of period	(3,808)	(2,366)

The provision for deferred tax is made up as follows:

	28 February 2022 £000	31 March 2021 £000
Tax payable on unrealised gains in PIHL Property LLP	(3,808)	(2,366)

The deferred tax balances have been calculated at a tax rate of 25% (2021 - 19%).

10. Share capital

	28 February 2022 £	31 March 2021 £
Allotted, called up and fully paid		
3 (2021 - 3) ordinary shares of £1.00 each	3	3

Share capital represents the aggregate nominal value of shares issued.

11. Reserves

Profit and loss account

This represents the cumulative profits or losses of the Company to date. As at 28 February 2022, the Company had distributable reserves of £17.1 million (2021 - £31.5 million).

PRESTBURY SIR 3 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 28 FEBRUARY 2022

12. Related party transactions

The Company has taken advantage of the exemption not to disclose any transactions with other wholly owned subsidiary undertakings of Prestbury Investment Holdings Limited.

13. Post balance sheet events

Since the balance sheet date, the Company's fixed asset investment (PIHL Property LLP or the "LLP") has exchanged its interest in Secure Income REIT Plc ("SIR") for cash and shares in LXi REIT Plc ("LXi"), a UK Real Estate Investment Trust listed on the main market of the London Stock Exchange, following the recommended merger of the two companies in a share for share exchange with a partial cash alternative.

The merger valued SIR shares at 475.5p each, which resulted in a gain net of tax of £4.4 million over the 28 February 2022 book value of the Company's investment in the LLP. On completion of the merger in July 2022 the Company effectively held a one third share of the LLP's investment in 44.3 million LXi shares, with a fair value in the LLP at that date of £63.4 million, and a one third share of cash of £16.7 million that the LLP had realised from the transaction. Following the merger, the LLP retains a 2.6% interest in LXi.

Since the balance sheet date, the Company has received distributions of £6.0 million from the LLP and paid interim dividends of £5.4 million.

14. Controlling party

As at 28 February 2022, the Company's immediate parent undertaking was Prestbury Investment Holdings Limited ("PIHL") and its ultimate parent undertaking was Yoginvest Limited.

PIHL is registered in England, with its registered office at Cavendish House, 18 Cavendish Square, London, W1G 0PJ. The consolidated financial statements of PIHL are available to the public and may be obtained by writing to the Company Secretary. Yoginvest Limited is registered in England, with its registered office at Belfry House, Champions Way, Hendon, London, NW4 1PX. It does not prepare consolidated financial statements on the basis that it is the parent undertaking of a small group.

Nick Leslau, a director of the Company, was the ultimate controlling party of Yoginvest Limited and the Company as at 28 February 2022.