

Prestbury Investments LLP

Report and Financial Statements

Year ended
31 March 2018

Registered number OC320632

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PRESTBURY INVESTMENTS LLP

Report and financial statements for the year ended 31 March 2018

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Designated members

P M Brown
T J Evans
S L Gumm
N M Leslau
B Walford
N W Wray

Registered office

Cavendish House, 18 Cavendish Square, London W1G 0PJ

LLP registration number

OC320632

Auditors

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 OPA

PRESTBURY INVESTMENTS LLP

Report of the members for the year ended 31 March 2018

The designated members present their report together with the audited consolidated financial statements for the year ended 31 March 2018.

Results

The consolidated income statement is set out on page 9 and shows a profit after tax for the year of £25,212,000 (2017: £20,244,000).

Business review

The principal activity of Prestbury Investments LLP ("the LLP") and its subsidiaries (together "the Group"), is the provision of investment advisory and other management services to real estate investors. All operations are within the United Kingdom.

Since June 2014 the LLP has provided investment advisory services, financial administration and other management services on an eight year term to Secure Income REIT Plc ("SIR"), a UK REIT listed on AIM. Under the terms of that contract, the Group earns a quarterly advisory fee for these services from SIR, calculated as a percentage of SIR's net assets, and may also become entitled to an incentive fee from SIR which rewards growth in SIR's total shareholder return above a certain threshold. The incentive fee entitlement is calculated annually as at 31 December each year in line with SIR's financial year end, with any such incentive fee payable settled in shares in SIR subject to certain limited exceptions.

Prestbury Investment Holdings Limited ("PIHL") acts as service provider to the LLP and the Group, providing financial administration, company secretarial, property management and other management services at a cost in the year of £2.8 million, increasing annually in line with RPI.

The profit attributable to members of £25.2 million is £5.8 million higher than the prior year. This is principally because the incentive fee of £15.2 million, earned from SIR for the year ended 31 December 2017, was £6.1 million higher than the prior year. This increase in income was partially offset by a £1.3 million increase in the current tax charge as a result of tax on those incentive fees incurred by the LLP's corporate subsidiary undertaking.

The remaining changes in profit arose from:

- dividend income of £1.8 million from SIR, compared to £0.9 million in the prior year when dividends commenced with effect from August 2016;
- advisory fee income of £9.7 million from SIR, which increases in line with SIR's net assets and compares to £7.7 million in the prior year; and
- revaluation movements net of deferred tax on the investment in SIR shares, which were £5.1 million in the year compared to £6.8 million in the prior year.

The members are satisfied with the performance of the LLP and the Group during the year under review.

PRESTBURY INVESTMENTS LLP

Report of the members for the year ended 31 March 2018 (continued)

Designated members

The following individuals were designated members and members of the LLP's Management Board during the year and to the date of this report.

P M Brown

T J Evans

S L Gumm

N M Leslau

B Walford

N W Wray

There were no other members of the LLP during the year and to the date of this report.

Policies in relation to capital and drawings

The policies in respect of members' profit shares, distributions, subscriptions for and repayment of members' capital during the year are set out in the members' Limited Liability Partnership Agreement dated 21 May 2014 (the "LLP agreement") and are summarised below.

Capital

Each member has contributed to the capital of the LLP. Save as expressly provided in the LLP agreement, no member shall make any further contributions to the capital of the LLP unless approved by members representing at least 90% of membership interests. Interest is not paid on capital invested.

No member is entitled to a return of their capital except upon the liquidation of the LLP and members are not entitled to retire from the LLP unless all other members agree.

Drawings

The policy for members' drawings is to distribute all realised profits during the financial year, after taking into account the need to maintain sufficient funds to finance the working capital and other needs of the business.

PRESTBURY INVESTMENTS LLP

Report of the members for the year ended 31 March 2018 (continued)

Statement of members' responsibilities in respect of the financial statements

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

The Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under these regulations the members have elected to prepare the Group and LLP financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under these regulations the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the LLP and of the profit or loss of the Group for that year. In preparing those financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the LLP will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions, disclose with reasonable accuracy at any time the financial position of the Group and the LLP, and enable them to ensure that the financial statements comply with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the Members as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The Members are not aware of any relevant audit information of which the LLP's auditor is unaware.

BDO LLP have expressed their willingness to continue in office.

On behalf of the Designated Members



Sandy Gumm
Designated member

19 October 2018

PRESTBURY INVESTMENTS LLP

Independent auditor's report to the members of Prestbury Investments LLP

Opinion

We have audited the financial statements of Prestbury Investments LLP (the "LLP") and its subsidiaries (the "Group") for the year ended 31 March 2018 which comprise the consolidated income statement, consolidated and LLP balance sheets, consolidated and LLP statements of changes in members' interests, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and LLP's affairs as at 31 March 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

Basis for opinion

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

Conclusions relating to going concern

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

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

PRESTBURY INVESTMENTS LLP

Independent auditor's report to the members of Prestbury Investments LLP (continued)

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of Members

As explained more fully in the statement of Members' responsibilities, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

PRESTBURY INVESTMENTS LLP

Independent auditor's report to the members of Prestbury Investments LLP (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

This report is made solely to the LLP's members, as a body, in accordance with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.



Christopher Wingrave (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

Gatwick, United Kingdom

19 October 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

PRESTBURY INVESTMENTS LLP

Consolidated income statement for the year ended 31 March 2018

	Note	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Turnover	4	24,932	16,767
Cost of sales		(2,970)	(2,028)
Gross profit		21,962	14,739
Administrative expenses		(95)	(84)
Provision for profit share	12	(324)	(252)
Operating profit	5	21,543	14,403
Revaluation of fixed asset investments	8	5,710	8,198
Income from fixed asset investments		1,817	907
Profit on ordinary activities before interest		29,070	23,508
Interest payable and similar charges		(23)	-
Profit on ordinary activities before tax		29,047	23,508
Tax charge in corporate subsidiaries	6	(3,835)	(3,264)
Profit for the financial year before members' remuneration and profit shares		25,212	20,244
Profit for the year attributable to non-controlling interests	13	-	(818)
Profit for the financial year attributable to members		25,212	19,426
Members' remuneration charged as an expense	7	(25,212)	(19,426)
Profit for the financial year available for discretionary division among members	7	-	-

All amounts relate to continuing activities.

There are no other items of comprehensive income or expense in the year and therefore no separate consolidated statement of comprehensive income is shown.

The notes on pages 15 to 26 form part of the financial statements.

PRESTBURY INVESTMENTS LLP

Consolidated statement of changes in members' interests for the year ended 31 March 2018

	Note	Equity - members' capital £000	Loans and other debts due to members £000	Total £000
At 1 April 2017		4	37,007	37,011
Members' remuneration charged as an expense	7	-	25,212	25,212
Members' interests after profit for the year		4	62,219	62,223
Drawings		-	(5,876)	(5,876)
At 31 March 2018		4	56,343	56,347
	Note	Equity - members' capital £000	Loans and other debts due to members £000	Total £000
At 1 April 2016		4	21,812	21,816
Members' remuneration charged as an expense	7	-	19,426	19,426
Members' interests after profit for the year		4	41,238	41,242
Drawings		-	(4,231)	(4,231)
At 31 March 2017		4	37,007	37,011

There were no amounts due from members at either balance sheet date. The amounts due to members outstanding at the year end would rank equally with unsecured creditors in the event of a winding up.

The notes on pages 15 to 26 form part of the financial statements.

PRESTBURY INVESTMENTS LLP**Consolidated balance sheet at 31 March 2018**

	Note	31 March 2018 £000	31 March 2017 £000
Fixed assets			
Listed investments	8	60,625	39,700
		<u>60,625</u>	<u>39,700</u>
Current assets			
Debtors	10	31	1,881
Cash at bank and in hand		4,666	393
		<u>4,697</u>	<u>2,274</u>
Creditors: amounts falling due due within one year	11	(5,932)	(2,862)
Net current liabilities		<u>(1,235)</u>	<u>(588)</u>
Total assets less current liabilities		59,390	39,112
Provisions for liabilities			
Deferred tax	12	(2,466)	(1,848)
Other provisions	12	(576)	(252)
		<u></u>	<u></u>
NET ASSETS		<u>56,348</u>	<u>37,012</u>
Members' interests			
Loans and other debts due to members in less than one year		56,343	37,007
Members' capital classified as equity		4	4
		<u>56,347</u>	<u>37,011</u>
TOTAL MEMBERS' INTERESTS		56,347	37,011
Non-controlling interests	13	1	1
		<u>1</u>	<u>1</u>
TOTAL CAPITAL EMPLOYED		<u>56,348</u>	<u>37,012</u>

The financial statements were approved by the members and authorised for issue on 19 October 2018.



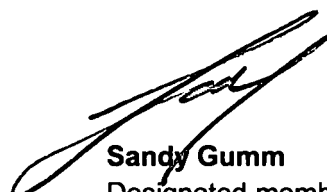
Sandy Gumm
Designated member

The notes on pages 15 to 26 form part of the financial statements.

LLP balance sheet at 31 March 2018

	Note	31 March 2018 £000	31 March 2017 £000
Fixed assets			
Investment in subsidiary undertakings	9	-	-
Current assets			
Debtors	10	652	627
Cash at bank and in hand		1,411	378
		2,063	1,005
Creditors: amounts falling due due within one year	11	(579)	(317)
Net current assets		1,484	688
NET ASSETS ATTRIBUTABLE TO MEMBERS		1,484	688
Members' interests			
Loans and other debts due to members in less than one year		1,480	684
Members' capital classified as equity		4	4
TOTAL MEMBERS' INTERESTS		1,484	688

The financial statements were approved by the members and authorised for issue on 19 October 2018.



Sandy Gumm
Designated member

The LLP has taken advantage of the exemption within section 408 of the Companies Act 2006, as applied to limited liability partnerships, not to present its own income statement. The profit for the year dealt with in the financial statements of the LLP was £6,672,000 (2017: £4,785,000).

The notes on pages 15 to 26 form part of the financial statements.

PRESTBURY INVESTMENTS LLP

LLP statement of changes in members' interests for the year ended 31 March 2018

	Equity - Members' capital £000	Loans and other debts due to members £000	Total £000
At 1 April 2017	4	684	688
Members' remuneration charged as an expense	-	6,672	6,672
Members' interests after profit for the year	4	7,356	7,360
Drawings by members	-	(5,876)	(5,876)
At 31 March 2018	4	1,480	1,484
	Equity - Members' capital £000	Loans and other debts due to members £000	Total £000
At 1 April 2016	4	130	134
Members' remuneration charged as an expense	-	4,785	4,785
Members' interests after profit for the year	4	4,915	4,919
Drawings by members	-	(4,231)	(4,231)
At 31 March 2017	4	684	688

There were no amounts due from members at either balance sheet date.

The notes on pages 15 to 26 form part of the financial statements.

PRESTBURY INVESTMENTS LLP**Consolidated statement of cash flows for the year ended 31 March 2018**

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Cash flows from operating activities:		
Profit for the financial year before members' remuneration	25,212	20,244
Adjusted for:		
Revaluation of fixed asset investments	(5,710)	(8,198)
Tax charge in corporate subsidiaries	3,835	3,264
Dividends received from fixed asset investments	(1,817)	(907)
Net finance costs	23	-
Cash flows from operating activities before changes in working capital and other net assets	21,543	14,403
Change in debtors	1,850	(1,876)
Change in creditors and provisions	1,923	2,084
Incentive fee income settled in shares	(15,215)	(9,077)
Cash from operations	10,101	5,534
Distributions to members	(5,876)	(4,231)
Corporation tax paid	(1,746)	(1,434)
Interest paid	(23)	-
Net cash generated by / (utilised in) operating activities	2,456	(131)
Dividends received from fixed asset investments	1,817	907
Purchase of fixed asset investments	-	(150)
Net cash flows from investing activities	1,817	757
Distributions to non-controlling interests	-	(818)
Net cash flows utilised in financing activities	-	(818)
Net increase / (decrease) in cash and cash equivalents	4,273	(192)
Cash and cash equivalents at the start of the year	393	585
Cash and cash equivalents at the end of the year	4,666	393

The notes on pages 15 to 26 form part of the financial statements.

PRESTBURY INVESTMENTS LLP

Notes to the financial statements for the year ended 31 March 2018

1 General information

Prestbury Investments LLP is a limited liability partnership established in England. The registered office is Cavendish House, 18 Cavendish Square, London W1G 0PJ.

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

2 Accounting policies

Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with FRS 102 and the Statement of Recommended Practice "Accounting by Limited Liability Partnerships (July 2017)".

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the members to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement and where assumptions and estimates are significant to the financial statements are disclosed in note 3.

In preparing the separate financial statements of the LLP, advantage has been taken of the following disclosure exemptions available in FRS 102:

- no cash flow statement has been presented for the LLP; and
- no disclosure has been given for the aggregate remuneration of the key management personnel of the LLP as their remuneration is included in the totals for the Group as a whole.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of consolidation

The consolidated financial statements present the results of the LLP and its subsidiaries ("the Group") as if they formed a single entity. Inter entity transactions and balances between Group entities are therefore eliminated in full.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

PRESTBURY INVESTMENTS LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

2 Accounting policies (continued)

General partner and trustee interests

Prestbury General Partner Limited, a wholly owned subsidiary undertaking of the LLP, is the sole ultimate general partner of Prestbury 1 LP ("P1LP") and Prestbury (Scotland) LP ("PSLP").

The LLP prepares its consolidated financial statements in accordance with FRS 102 and, having taken into account the control requirements of that standard, the Group is not considered to have the requisite control over P1LP or PSLP to account for them as subsidiary undertakings. Accordingly the LLP does not consolidate P1LP or PSLP in its consolidated financial statements.

Prestbury General Partner Limited is also the sole ultimate general partner of Prestbury General Partner LP ("PGPLP"). As the LLP has the requisite control over PGPLP to account for this entity as a subsidiary undertaking, PGPLP is dealt with on a full consolidation basis by the Group.

P1LP, PSLP and PGLP are all limited partnerships registered under the 1907 Partnerships Act. The registered offices of these limited partnerships are disclosed in the financial statements of Prestbury General Partner Limited.

The LLP is also the immediate parent undertaking of 22 companies that act as trustees for a number of Jersey property unit trusts. Having taken into account the control requirements of FRS 102, the Group is not considered to have the requisite control over these trusts and therefore does not consolidate them in its financial statements.

Investments in subsidiaries

In the LLP's financial statements, investments in subsidiaries are measured at cost less any provision for impairment.

Listed investments

Investments in listed company shares, which have been classified as fixed asset investments as the Group intends to hold them on a long term basis for dividend income and capital appreciation, are initially recognised at fair value. Subsequently they are measured at fair value with movements recognised through the income statement.

Financial assets and liabilities

Financial assets and liabilities are recognised when the relevant Group entity becomes a party to the unconditional contractual terms of the instrument. The carrying amounts of financial assets and liabilities are considered by the members to be a reasonable estimate of their fair values.

PRESTBURY INVESTMENTS LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

2 Accounting policies (continued)

Financial assets and liabilities (continued)

(a) Financial assets

Shares receivable in listed entities and listed investments held by the Group are recognised initially at their fair value and subsequently measured at fair value through the income statement. All other financial assets, which currently qualify as debt instruments, are recognised initially at their transaction price and are subsequently measured at amortised cost, less any impairment.

(b) Trade and other creditors

Trade and other creditors are recognised initially at their transaction price and are subsequently measured at amortised cost.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks.

Turnover

Turnover comprises revenue recognised in respect of services supplied during the year, exclusive of VAT.

Any fees receivable in shares are measured at the fair value of the consideration receivable and this revenue is recognised by reference to the stage of completion of those services at the balance sheet date, when:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the services will flow to the Group;
- the stage of completion of the services at the balance sheet date can be measured reliably; and
- the costs incurred in delivering the services can be measured reliably.

Revenue also includes advisory fee income that is recognised when the services are provided, and profit share entitlements from certain investments.

Members' remuneration charged as an expense

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

PRESTBURY INVESTMENTS LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

2 Accounting policies (continued)

Tax

The financial statements do not incorporate any charge or liability for tax on the results of the LLP or its subsidiary partnership, as any tax liabilities are attributable to the members, not the partnerships.

The LLP's corporate subsidiary undertakings are subject to corporation tax on their profits. The tax expense, which comprises current and deferred tax, 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.

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 Group may require subjective or complex judgements. The principal area of judgement is the valuation of the Group's investment in Secure Income REIT Plc ("SIR") shares and any income received from SIR in shares. This valuation requires the members to estimate the effect on the SIR share price of the discount that would be required in order to sell the shares in a block trade, given that the investment represents a material management holding in SIR. In determining that discount, the members have taken external advice from Stifel Nicolaus Europe Limited, the nominated adviser and broker to SIR, and adopted valuations that reflect that advice.

4 Turnover

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Advisory fee income	9,717	7,690
Incentive fee income	15,215	9,077
	<u>24,932</u>	<u>16,767</u>

Turnover arises entirely in the United Kingdom.

PRESTBURY INVESTMENTS LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

5 Operating profit

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Operating profit has been arrived at after charging:		
Auditors' remuneration - audit services	<u>22</u>	<u>22</u>

Included in the Group audit fee is an amount of £10,000 (2017: £9,000) in respect of the audit of the LLP and its consolidated financial statements.

The LLP and the Group did not have any employees in the year (2017: nil).

6 Tax charge in corporate subsidiaries

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
<i>Current tax:</i>		
UK corporation tax charge on profit for the year	3,229	1,960
Prior year adjustments	(12)	(62)
	<u>3,217</u>	<u>1,898</u>
<i>Deferred tax:</i>		
Origination of timing differences (note 12)	618	1,366
	<u>3,835</u>	<u>3,264</u>

Tax reconciliation and factors affecting the tax charge for the year:

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Profit before tax	<u>29,047</u>	<u>23,508</u>
Profit before tax at the standard rate of corporation tax in the UK of 19% (2017: 20%)	5,519	4,702
Results of partnerships not subject to tax	(1,267)	(1,119)
Tax impact of revaluation of fixed asset investments	(467)	(274)
Prior year adjustments	(12)	(62)
Non-taxable items	62	17
Movement in unrelieved tax losses carried forward	2	2
Allocation of results from partnership subsidiary	(2)	(2)
Total tax charge for the year	<u>3,835</u>	<u>3,264</u>

A corporate subsidiary has losses available to carry forward of £18,026,000 (2017: £18,016,000) to utilise against suitable future profits of that subsidiary.

PRESTBURY INVESTMENTS LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

7 Members' profit shares

The average number of members during the year was six (2017: six), all of whom were Designated Members. All profits and losses are allocated to members in accordance with the provisions of the LLP Agreement and no member received any salary for the year (2017: £nil).

The remuneration of key management personnel in the year, comprising distributions from the LLP, totalled £5,876,000 (2017: £4,231,000).

The total profits allocated in the year to the highest paid member, based on the profit share entitlement set out in the LLP agreement, were £14,875,000 (2017: £12,207,000).

8 Listed investments - Group

	Secure Income REIT Plc (shares held) £000	Secure Income REIT Plc (shares receivable) £000	Other listed investments £000	Total £000
<i>Fair value</i>				
At the start of the year	29,728	9,954	18	39,700
Additions	25,169	(9,954)	-	15,215
Fair value adjustment	5,709	-	1	5,710
At the end of the year	60,606	-	19	60,625

As at 31 March 2018, the Group had a 5.5% (2017: 4.3%) interest in Secure Income REIT Plc ("SIR"), a UK REIT listed on AIM. The fair value of the investments in SIR reflect a discount of approximately 8% (2017: 13%) to the SIR share price at the balance sheet date, principally resulting from the fact that the shares represent a material management holding in SIR and would therefore have to be sold in a block trade.

At 31 March 2018, the historic cost of the investment in SIR in respect of the shares held at that date was £44,291,000 (2017: £19,999,000) and the historic cost of the other listed investments was £14,000 (2017: £14,000).

Further information about the Group's investment in SIR is set out in note 15.

PRESTBURY INVESTMENTS LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

9 Investment in subsidiary undertakings - LLP

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
<i>Cost and net book value</i>		
At the start of the year	28	2
Additions	10	26
At the end of the year	<u>38</u>	<u>28</u>

Subsidiary undertakings at 31 March 2018, all of which were 100% owned, comprised:

<i>Name</i>	<i>Nature of business</i>	<i>Country of incorporation or registration</i>
Prestbury Incentives Ltd *	Advisory services and investment in shares	England
Prestbury General Partner Ltd *	General partner	Scotland
Prestbury General Partner LP	General partner	Scotland
Prestbury 1 Nominee Ltd	Dormant	England
Prestbury Jersey Ltd *	Investment manager	Jersey
SIR Trustee 1 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 2 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 3 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 4 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 5 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 6 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 7 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 8 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 9 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 10 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 11 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 12 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 13 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 14 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 15 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 16 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 17 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 18 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 19 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 20 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 21 Ltd *	Trustee of unit trust	Jersey
SIR Trustee 22 Ltd *	Trustee of unit trust	Jersey

* held directly by the LLP. Other subsidiaries are held indirectly.

PRESTBURY INVESTMENTS LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

9 Investment in subsidiary undertakings - LLP (continued)

The registered offices of the subsidiary undertakings are as follows:

English entities: Cavendish House, 18 Cavendish Square, London, W1G 0PJ

Scottish entities: 13 Queen's Road, Aberdeen, AB15 4YL

Jersey entities: 26 New Street, St Helier, Jersey, JE2 3RA

The LLP's investments in the Jersey subsidiaries, all of which are non-trading companies, are subject to fixed charges for lenders to subsidiary undertakings in the SIR group.

10 Debtors

	Group	LLP	Group	LLP
	31 March 2018	31 March 2018	31 March 2017	31 March 2017
	£000	£000	£000	£000
Due within one year				
Trade debtors	-	-	1,872	-
Prepayments and and accrued income	31	31	9	10
Loans to subsidiary undertakings	-	621	-	617
	31	652	1,881	627

Loans to subsidiary undertakings are unsecured, interest-free and repayable on demand, and are stated after a provision of £5,258,000 (2017: £5,253,000) reflecting net liabilities in one of those subsidiary undertakings.

11 Creditors: Amounts falling due within one year

	Group	LLP	Group	LLP
	31 March 2018	31 March 2018	31 March 2017	31 March 2017
	£000	£000	£000	£000
Trade creditors	-	-	114	114
VAT payable	3,574	371	2,054	186
Corporation tax payable	2,117	-	646	-
Accruals and deferred income	241	207	43	16
Other creditors	-	1	-	1
Amounts owed to Prestbury 1 LP	-	-	5	-
	5,932	579	2,862	317

Amounts owed to Prestbury 1 LP are unsecured, interest-free and repayable on demand.

PRESTBURY INVESTMENTS LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

12 Provisions

The deferred tax provision is calculated at a tax rate of 17% (2017: 19%) and arises entirely on the revaluation of listed investments as follows:

	Year ended 31 March 2018	Year ended 31 March 2017
Group	£000	£000
At the start of the year	1,848	482
Deferred tax charge for the year	618	1,366
At the end of the year	<u>2,466</u>	<u>1,848</u>

As the future deferred tax balances, if any, will be dependent on future changes in fair value of assets and liabilities, it is not possible to estimate any future reversals of existing deferred tax balances. No deferred tax asset is recognised in respect of the tax losses described in note 6 because of uncertainty about future taxable profits against which they can be utilised.

The other provision represents amounts that may become payable to certain individuals under the terms of an arrangement introduced during the prior year whereby they will share in future growth, calculated as a specific percentage of any increase in the value of the Group's investment in Secure Income REIT Plc (including any further incentive fees earned) with effect from 31 December 2016:

	Year ended 31 March 2018	Year ended 31 March 2017
Group	£000	£000
At the beginning of the year	252	-
Charge for the year	324	252
At the end of the year	<u>576</u>	<u>252</u>

13 Non-controlling interests

	Year ended 31 March 2018	Year ended 31 March 2017
	£000	£000
At the beginning of the year	1	1
Profit attributable to non-controlling interests	-	818
Distributions to non-controlling interests	-	(818)
At the end of the year	<u>1</u>	<u>1</u>

The non-controlling interests relate to capital contributed into a subsidiary undertaking by Prestbury Investment Holdings Limited, a company which is ultimately controlled by N M Leslau and N W Wray who are designated members of the LLP, and by a third party.

PRESTBURY INVESTMENTS LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

14 Financial assets and liabilities

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

	Group	LLP	Group	LLP
	31 March 2018	31 March 2018	31 March 2017	31 March 2017
	£000	£000	£000	£000
Financial assets				
Financial assets measured at fair value through profit or loss	60,625	-	39,700	-
Financial assets measured at amortised cost	<u>4,666</u>	<u>2,032</u>	<u>2,265</u>	<u>995</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(241)</u>	<u>(208)</u>	<u>(162)</u>	<u>(131)</u>

Financial assets measured at fair value through profit or loss comprise fixed asset investments in Secure Income REIT Plc ("SIR") and certain other listed property company shares.

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors and (in the case of the LLP) loans to subsidiary undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, amounts owed by Prestbury 1 LP and accruals.

Financial risk management

Through the Group's operations it is exposed to certain risks. The exposure to each risk considered potentially material to the Group, how it arises and, where applicable, the policy for managing it is summarised below:

(a) Market risk

The Group's investment in SIR is carried at fair value which discounts the quoted share price at each reporting date to reflect the fact that the shares represent a material management stake which would need to be sold in a block trade. The Group is exposed to movements in both SIR's share price and the discount applied in arriving at fair value, which are dependent upon factors outside the control of the Group.

(b) Liquidity risk

Working capital must be managed to ensure that the Group and LLP are able to meet their liabilities as they fall due. The Group and LLP's operating cash flows are generally predictable and in the absence of cash held, will be funded by contributions from members of the LLP.

PRESTBURY INVESTMENTS LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

15 Related party disclosures

Transactions with Secure Income REIT Plc:

The LLP is investment adviser to SIR, a UK REIT listed on AIM, under the terms of an investment advisory agreement. N M Leslau, P M Brown and S L Gumm are designated members of the LLP, directors of Prestbury Incentives Limited ("Incentives"), a subsidiary of the LLP, and directors of SIR. They or entities connected to them have shareholdings in SIR but cannot individually or as a group control any decisions relating to SIR. Under the terms of the LLP's appointment it provides or procures the provision of investment advisory, financial administration and other management services to SIR. The fee received for these services in the year was £9,579,000 (2017: £7,553,000) of which £19,000 (2017: £19,000) was outstanding at the balance sheet date.

The Group may earn an incentive fee from SIR in respect of the year to 31 December each year under the terms of the investment advisory agreement. Any fee is settled by the issue of shares in SIR subject to certain limited exceptions, apart from VAT on the fee which is settled in cash. Sales of those shares are restricted, with the restriction only lifted on a phased basis over a period from 18 to 42 months from the end of the accounting period in which they are earned, subject to a release in certain circumstances including in the event that shares are sold to settle any corporation tax liability on the fee income recognised by the Group. At the balance sheet dates, SIR shares with a fair value of £49,380,000 (2017: £29,728,000) were subject to these restrictions.

An incentive fee of £15,215,000 (2017: £9,077,000) was earned for the year to 31 December 2017 (2017: year to 31 December 2016), which was settled in March 2018 (2016: April 2017) by the issue of 4,588,479 (2016: 3,307,168) shares in SIR. No incentive fee has been recognised in these financial statements for the period from 1 January to 31 March 2018 as the level of any fee that might arise for the year to 31 December 2018 is not yet certain.

In the prior year, Incentives purchased 50,234 shares in SIR for cash consideration of £150,000, as part of a £140 million share issue by SIR and on identical terms to all third party investors. No shares were purchased by Incentives in the current year.

During the year, Incentives received dividends of £1,817,000 (2017: £907,000) from SIR.

PRESTBURY INVESTMENTS LLP

Notes to the financial statements for the year ended 31 March 2018 (continued)

15 Related party disclosures (continued)

Other related party disclosures:

Since 10 July 2016, the LLP has paid a fee to Prestbury Investment Holdings Limited ("PIHL"), a company which is ultimately controlled by N M Leslau and N W Wray who are designated members of the LLP, directly under the terms of a Services Agreement for the provision of financial administration, company secretarial, property management and other management services. The amount payable in the year was £2,647,000 (2017: £1,857,000) of which £nil (2017: £114,000) is included in trade creditors at the balance sheet date. An additional £148,000 (2017: £nil) was charged for ad hoc services, which was included in accruals at the balance sheet date.

Until 10 July 2016, a subsidiary of the LLP, Prestbury General Partner LP ("GPLP") was required to pay an annual profit share to its limited partners, which include PIHL. The profit share payable to PIHL in the year was £nil (2017: £710,000) of which £nil (2017: £nil) was payable at the balance sheet date.

During the year, the LLP earned a fee of £137,000 (2017: £138,000) from Prestbury 1 LP, a partnership in which GPLP is the sole general partner, and paid a fee of the same amount to PIHL. No amounts were outstanding at the balance sheet date.

16 Events after the balance sheet date

Since the balance sheet date, the LLP has paid distributions totalling £4,795,000.

17 Ultimate controlling party

At 31 March 2018 N M Leslau had a controlling voting interest in the LLP.