

**SALISBURY SQUARE LLP**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**



**Registered number: OC 392537**

# **SALISBURY SQUARE LLP**

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**SALISBURY SQUARE LLP**

**DESIGNATED MEMBERS' REPORT**

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The designated members submit their report and the financial statements of Salisbury Square LLP and its subsidiaries (the "Group") for the year ended 31 December 2017.

**Principal activities**

The principal activity of the limited liability partnership is that of its investment, via its subsidiaries, in Salisbury Square House, 8 Salisbury Square, London, EC4.

**Designated members**

The following designated members have held office since incorporation.

Cheyne Real Estate Credit Holdings Fund, LP  
Cheyne Real Estate Credit Holdings Fund II LP  
Cheyne Real Estate Credit Holdings Fund III LP  
Greycoat SS Capital LLP

**Policy with respect to designated members' drawings and subscription and repayment of members' capital**

Designated members' drawings, subscriptions and repayment of capital are set out in the Limited Liability Partnership Agreement dated 16 April 2014. Further details are disclosed in note 11 to the financial statements.

**Auditor**

RSM UK Audit LLP has indicated its willingness to continue in office.



Designated Member  
9 August 2018

PAUL JOHNSTON DIRECTOR

## **SALISBURY SQUARE LLP**

### **STATEMENT OF MEMBERS' RESPONSIBILITIES**

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

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

- a) Select suitable accounting policies and then apply them consistently;
- b) Make judgements and accounting estimates that are reasonable and prudent;
- c) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Limited Liability Partnership will continue in business.

Under the 2008 Regulations the members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Limited Liability Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Limited Liability Partnership and enable them to ensure that the financial statements comply with those Regulations. They are also responsible for safeguarding the assets of the Group and the Limited Liability Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These responsibilities are exercised by the designated members on behalf of the members.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALISBURY SQUARE LLP**

### **Opinion**

We have audited the financial statements of Salisbury Square LLP (the 'parent limited liability partnership') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise a Consolidated Income Statement, Consolidated Balance Sheet as at 31 December 2017, Partnership Balance Sheet as at 31 December 2017, Reconciliation of Members Interests for the year ended 31 December 2017 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 FRS 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 parent limited liability partnership's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 parent limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 in relation to which the Companies Act 2006 applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALISBURY SQUARE LLP (CONTINUED)

- the parent limited liability partnership financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or

### Responsibilities of members

As explained more fully in the Members' Responsibilities Statement set out on page 2, 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 group's and parent limited liability partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the group or parent limited liability partnership or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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

A description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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 limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership'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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

**RSM UK Audit LLP**

RICHARD COATES (Senior Statutory Auditor)  
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

9 August 2018

**SALISBURY SQUARE LLP**

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 £	2016 £
<b>Turnover</b>			
Rental income	1	104,761	238,259
Property outgoings		(627,052)	(434,031)
<b>Gross (loss)</b>		<u>(522,291)</u>	<u>(195,772)</u>
Administrative expenses		(121,119)	(95,551)
<b>Operating (loss)</b>		<u>(643,410)</u>	<u>(291,323)</u>
Fair value gains on investment property	6	4,260,458	30,587,999
Interest receivable		-	691
Interest payable and similar charges	4	(2,030,883)	(3,029,939)
<b>Profit for the financial period before members' remuneration and profit share</b>		<u>1,586,165</u>	<u>27,267,428</u>
Interest payable on members' loans	5	(7,213,475)	(3,735,161)
<b>(Loss)/Profit for the financial period available for discretionary division among members</b>		<u><u>(5,627,310)</u></u>	<u><u>23,532,267</u></u>

# SALISBURY SQUARE LLP

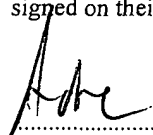
## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

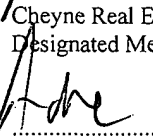
	Notes	2017 £	2016 £
<b>Fixed assets</b>			
Investment property	6	159,250,000	130,000,000
<b>Current assets</b>			
Debtors	8	539,699	3,478,883
Cash at bank and in hand		877,757	1,412,472
		<u>1,417,456</u>	<u>4,891,355</u>
<b>Creditors: amounts falling due within one year</b>	9	(2,568,557)	(1,516,027)
<b>Net current (liabilities)/assets</b>		<u>(1,151,101)</u>	<u>3,375,328</u>
<b>Total assets less current liabilities</b>		<u>158,098,899</u>	<u>133,375,328</u>
<b>Creditors: amounts falling due after more than one year</b>	10	(42,614,310)	(42,345,904)
<b>Net assets attributable to members</b>		<u>115,484,589</u>	<u>91,029,424</u>
<b>Represented by:</b>			
<b>Loans and other debts due to members</b>			
Loans and Other Debts		102,178,728	72,096,253
<b>Members' Other interests</b>			
Members' Capital		100	100
Other Reserves		13,305,761	18,933,071
<b>Total members' interests</b>		<u>115,484,589</u>	<u>91,029,424</u>

These financial statements have been prepared in accordance with the special provisions of the Companies Act 2006 (as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) applicable to limited liability partnerships subject to the small limited liability partnerships regime.

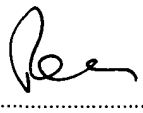
These financial statements on pages 5 to 14 were approved by the members and authorised for issue on 9 August 2018 and signed on their behalf by:

Andrew Galloway, Director  
Cheyne General Partner Inc  
General Partner

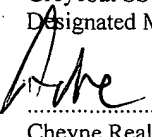
 on behalf of  
Cheyne Real Estate Credit Holdings Fund, LP  
Designated Member

 on behalf of  
Cheyne Real Estate Credit Holdings Fund II, LP  
Designated Member

Andrew Galloway, Director  
Cheyne General Partner Inc  
General Partner

 on behalf of  
Greycoat SS Capital LLP  
Designated Member

PAUL JOHNSTON DIRECTOR

 on behalf of  
Cheyne Real Estate Credit Holdings Fund III, LP  
Designated Member

Andrew Galloway, Director  
Cheyne General Partner Inc  
General Partner



**SALISBURY SQUARE LLP**

Registered number: OC 392537

**PARTNERSHIP BALANCE SHEET AS AT 31 DECEMBER 2017**

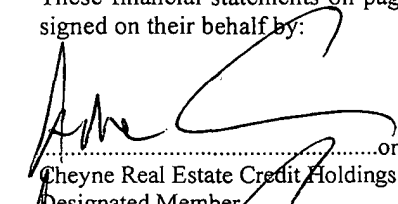
	Notes	2017 £	2016 £
<b>Fixed assets</b>			
Investments in subsidiaries	7	102,178,830	72,096,355
<b>Current assets</b>			
Debtors	8	607,610	613,610
Creditors: amounts falling due within one year	9	(670,069)	(670,069)
<b>Net current liabilities</b>		(62,459)	(56,459)
<b>Net assets attributable to members</b>		102,116,371	72,039,896
<b>Represented by:</b>			
<b>Loans and other debts due to members</b>			
Loans and Other Debts		102,178,728	72,096,253
<b>Members Other interests</b>			
Members' Capital		100	100
Other Reserves		(62,457)	(56,457)
<b>Total members' interests</b>		102,116,371	72,039,896

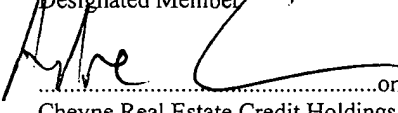
The Partnership has taken advantage of the exemptions from presenting its own profit and loss account under section 408 of the Companies Act 2006. The Partnership loss for the year was £6,000 (2016: £20,040).

These financial statements have been prepared in accordance with the special provisions of the Companies Act 2006 (as applied by the Limited Liability Partnerships (Accounts and Audit)(Application of Companies Act 2006) Regulations 2008) applicable to limited liability partnerships subject to the small limited liability partnerships regime.

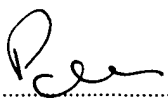
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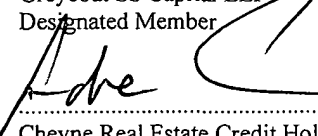
Andrew Galloway, Director  
Cheyne General Partner Inc  
General Partner

 on behalf of  
Cheyne Real Estate Credit Holdings Fund, LP  
Designated Member

 on behalf of  
Cheyne Real Estate Credit Holdings Fund II, LP  
Designated Member

Andrew Galloway, Director  
Cheyne General Partner Inc  
General Partner

 on behalf of  
Greycoat SS Capital LLP  
Designated Member

 on behalf of  
Cheyne Real Estate Credit Holdings Fund III, LP  
Designated Member

Andrew Galloway, Director  
Cheyne General Partner Inc  
General Partner

# SALISBURY SQUARE LLP

## RECONCILIATION OF MEMBERS INTERESTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### Group

	Members' capital £	Other reserves £	Total equity £	Loans and other debts due to members £	Total members' interests £
At 1 January 2016	100	(4,599,196)	(4,599,096)	37,801,092	33,201,996
Mezzanine loans	-	-	-	28,183,161	28,183,161
Members' loans	-	-	-	6,112,000	6,112,000
Profit for the year	-	23,532,267	23,532,267	-	23,532,267
At 31 December 2016	100	18,933,071	18,933,171	72,096,253	91,029,424
Mezzanine loans	-	-	-	25,508,675	25,508,675
Members' loans	-	-	-	4,573,800	4,573,800
Loss for the year	-	(5,627,310)	(5,627,310)	-	(5,627,310)
At 31 December 2017	100	13,305,761	13,305,861	102,178,728	115,484,589

### Partnership

	Members' capital £	Other reserves £	Total equity £	Loans and other debts due to members £	Total members' interests £
At 1 January 2016	100	(36,417)	(36,317)	37,801,092	37,764,775
Mezzanine loan	-	-	-	28,183,161	28,183,161
Members' loans	-	-	-	6,112,000	6,112,000
Loss for the year	-	(20,040)	(20,040)	-	(20,040)
At 31 December 2016	100	(56,457)	(56,357)	72,096,253	72,039,896
Mezzanine loan	-	-	-	25,508,675	25,508,675
Members' loan	-	-	-	4,573,800	4,573,800
Loss for the year	-	(6,000)	(6,000)	-	(6,000)
At 31 December 2017	100	(62,457)	(62,357)	102,178,728	102,116,371

## **SALISBURY SQUARE LLP**

### **ACCOUNTING POLICIES**

#### **FOR THE YEAR ENDED 31 DECEMBER 2017**

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##### **General Information**

Salisbury Square LLP ("the Partnership") was established and registered in England on 7 April 2014 as a limited liability partnership. The registered office of Salisbury Square LLP is 11 Charles II Street, London, SW1Y 4QU. The principal activity of the Partnership and its subsidiaries (together "the Group") is investment and development of property.

##### **Basis of Accounting**

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" published January 2017 ("SORP"), the requirements of the Companies Act 2006 as applicable to limited liability partnerships subject to the small limited liability partnerships regime and under the historical cost convention, modified to include investment properties and certain financial instruments at fair value. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the Partnership. Monetary amounts in these financial statements are rounded to the nearest £.

##### **Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Partnership and its subsidiary undertakings for the year.

##### **Going Concern**

The Group's main asset is its investment property, Salisbury Square House, which is held in a subsidiary undertaking, Salisbury Square Unit Trust. The acquisition of the property was financed by members' loans and was partly refinanced following the year end with a bank loan investment facility which includes both a loan to value covenant and an interest cover covenant and has a term to 2019.

The members have, after careful consideration of the matters set out above and the Group's and the Partnership's projected cash flows for the 12 month period from date of approval of these financial statements, concluded that they expect the Group and the Partnership will be able to pay its liabilities as they fall due for this period. Consequently they have concluded that it is appropriate to adopt the going concern basis for the preparation of these financial statements.

##### **Investment Properties**

Investment properties are initially measured at cost and subsequently measured at fair value. Changes in fair value are recognised in profit and loss.

##### **Investments in Subsidiaries**

Investments in subsidiaries are stated at cost less provision for any impairment in value.

##### **Recognition of Income**

Turnover comprises rental income for the period, net of VAT.

##### **Finance Costs**

The costs relating to the obtaining of loan finance are capitalised and subsequently amortised through profit and loss at a constant yearly rate. The loan is included in the balance sheet at the amount received from the lender less unamortised costs and any repayments.

## **SALISBURY SQUARE LLP**

### **ACCOUNTING POLICIES**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **Deferred Taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation in periods different from those in which they are included in the accounts. Deferred tax is not provided on timing differences arising from the revaluation of tangible fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### **Operating Leases**

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged to profit and loss on a straight line basis over the lease term. Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease to the first rent review.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when the Partnership becomes a party to the contractual provisions of the instrument, and are offset only when the Partnership currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Partnership has applied the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments with the exception of the interest rate swap, which is stated at fair value.

The Partnership's financial assets are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method. Except for the interest rate swap, the Partnership's financial liabilities are initially measured at transaction price and are subsequently carried at amortised cost.

#### **Critical accounting estimates and judgements in applying accounting policies**

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. The following critical accounting judgements have been made in the preparation of these financial statements:

##### *Interest rate swap:*

The Unit Trust entered into an interest rate swap with Deutsche Bank AG, London Branch. The fair value of the swap is obtained from the swap counterparty and the Members are of the opinion that this is the best available estimate of the fair value of the interest rate swap at 31 December 2017.

##### *Valuation of investment property:*

The investment property is stated at fair value as explained in note 6.

**SALISBURY SQUARE LLP**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**1 Turnover**

The group's turnover is derived from its principal activity. All turnover is derived from the United Kingdom based property.

**2 Auditor's remuneration**

Auditor's remuneration for the audit of Group's financial statements was £16,750 (2016: £16,250).

**3 Employee numbers**

There were no employees during the year ended 31 December 2017 or the year ended 31 December 2016.

**4 Interest payable and similar charges**

	2017 £	2016 £
Bank loan interest payable	2,228,453	2,156,992
Loan arrangement fees	268,406	269,142
Other financing costs		
Fair value (gain)/loss on derivative financial instruments	(465,976)	603,805
	<u>2,030,883</u>	<u>3,029,939</u>

**5 Interest payable on members' loans**

	2017 £	2016 £
Interest on members' mezzanine loans	<u>7,213,475</u>	<u>3,735,161</u>

# SALISBURY SQUARE LLP

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

### 6 Investment Property

	2017 £	2016 £
Freehold investment property at valuation Salisbury Square House, 8 Salisbury Square, London, EC4 1 January	130,000,000	77,182,206
Capitalised costs in the year	24,989,542	22,229,795
Fair value gain for the year	4,260,458	30,587,999
<b>31 December</b>	<b>159,250,000</b>	<b>130,000,000</b>

Investment property comprises freehold office buildings. The fair value of the investment property at 31 December 2017 has been arrived at on the basis of an external valuation report as at 28 February 2018. This report was prepared for internal accounting purposes. The valuation was based on recent market transactions on an arm's length basis for similar properties. It is of the Members' opinion that this valuation is a fair reflection of the market value of the property at 31 December 2017.

At the year end the Unit Trust had a Capital Commitment of £nil (2016: £21,772,597) in respect of works being carried out on Salisbury Square House.

### 7 Investment in Subsidiaries

Partnership	Shares in subsidiaries £	Loans to subsidiaries £	Total Investment in group Undertakings £
<b>Cost</b>			
As at 1 January 2017	2	72,096,353	72,096,355
Additions in the year	-	30,082,475	30,082,475
<b>At 31 December 2017</b>	<b>2</b>	<b>102,178,828</b>	<b>102,178,830</b>

As at 31 December 2017, the Partnership held an interest in the following entities which have been consolidated in these financial statements.

	Directly held	Indirectly held	Nature of Business
<b>Limited Liability Companies</b>			
Salisbury Unitholder 1 Limited	100%		Investment holding
Salisbury Unitholder 2 Limited	100%		Investment holding
<b>Unit Trust</b>			
Salisbury Square Unit Trust		100%	Property investment

# SALISBURY SQUARE LLP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 8 Debtors

	Group 2017 £	Partnership 2017 £	Group 2016 £	Partnership 2016 £
Due within one year:				
Trade debtors	60,707	-	116,555	-
Other debtors	478,992	-	3,362,328	-
Amounts due from subsidiary undertakings	-	607,610	-	613,610
	<u>539,699</u>	<u>607,610</u>	<u>3,478,883</u>	<u>613,610</u>

#### 9 Creditors: Amounts falling due within one year

	Group 2017 £	Partnership 2017 £	Group 2016 £	Partnership 2016 £
Trade creditors	1,652,653	-	-	-
Derivative financial instrument	489,768	-	955,744	-
Amounts due to subsidiary undertakings	-	670,069	-	670,069
Accruals and deferred income	426,136	-	560,283	-
	<u>2,568,557</u>	<u>670,962</u>	<u>1,516,027</u>	<u>670,069</u>

Salisbury Square Unit Trust entered into an interest rate swap with a notional amount of £42,900,000 on 10 February 2015 with Deutsche Bank AG, London Branch whereby the Unit Trust pays a fixed quarterly payment in return for a floating quarterly receipt. The swap was entered into to hedge the interest rate risk of the floating rate loans and matures on 10 February 2019. The estimated fair value of the interest rate swap at 31 December 2017 is a liability of £ 489,768 (2016: £955,744).

# SALISBURY SQUARE LLP

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### 10 Creditors: Amounts falling due after more than one year

	Group 2017 £	Partnership 2017 £	Group 2016 £	Partnership 2016 £
Bank loan	42,900,000	-	42,900,000	-
Unamortised loan transaction costs	(285,690)	-	(554,096)	-
	<u>42,614,310</u>	<u>-</u>	<u>42,345,904</u>	<u>-</u>

On 10 February 2015 the Joint Trustees of Salisbury Square Unit Trust entered into a facility agreement on their behalf with Deutsche Bank AG, London Branch as lender under which the lender would make available a loan facility of up to £47,400,000, bearing interest on the drawdown amount at 3 month LIBOR plus a margin of 3.6% per annum. The facility consists of a sterling term loan facility in an aggregate amount of £42,900,000 ("Facility A") and a sterling term loan facility in an aggregate amount of £4,500,000 ("Facility B"). The facility has a repayment date of 10 February 2019.

#### 11 Members' interests

The members' capital and loans are subordinated to the Mezzanine loan. The Mezzanine loan is repayable in accordance with the Partnership Agreement. The Mezzanine loan holder is entitled to interest at a rate of 11.25% per annum.

In accordance with UK GAAP, the Mezzanine and Members' loans are all classified as debt and consequently the interest accruing on the Mezzanine loan and any priority return on the Members' loans are accounted for as an accrued interest expense in the income statement (see note 5).

Loans and other debts due to members rank pari passu with unsecured creditors in the event of a winding up.

In accordance with UK GAAP, the members' capital accounts are classified as equity and apportioned between the four members being Cheyne Real Estate Credit Holdings Fund LP (£50), Cheyne Real Estate Credit Holdings Fund II LP, (£17), Cheyne Real Estate Credit Holdings Funds III LP (£7) and Greycoat SS Capital LLP (£26).

#### 12 Transactions with Related Parties

During the year, the Group accrued management fees of £627,052 (2016: £434,030) payable to Greycoat SS AM LLP, a fellow subsidiary with Greycoat SS Capital LLP of Greycoat Real Estate LLP. Greycoat SS Capital LLP is a designated member of the Partnership. There were no amounts outstanding in respect of this accrual at the date of these financial statements.

#### 13 Controlling party

There is no controlling party of the Partnership.