

Company Number : 50475

# **British Capital Property Investments Limited**

## **REPORT AND AUDITED FINANCIAL STATEMENTS**

**For the period from the date of incorporation, 8 June 2009, to 31 March 2010**

# **British Capital Property Investments Limited**

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# **British Capital Property Investments Limited**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **Registered Office:**

1 Le Marchant Street  
St Peter Port  
Guernsey, GY1 4HP

### **Directors:**

Sean David Mackay (appointed 8 June 2009)  
Martin Paul Tolcher (appointed 8 June 2009)  
Jan Adriaan Van Staden (appointed 8 June 2009)  
Patricia Colette White (appointed 8 June 2009)

### **Administrator, Secretary and Registrar:**

Legis Fund Services Limited  
1 Le Marchant Street  
St Peter Port  
Guernsey, GY1 4HP

### **Manager:**

Cornerstone Asset Managers Limited  
1 Le Marchant Street  
St Peter Port  
Guernsey, GY1 4HP

### **Auditor:**

Saffery Champness  
Chartered Accountants  
La Tonnelle House  
Les Banques  
St Sampsons  
Guernsey, GY1 3HS

### **Listing Sponsor:**

Appleby Securities (Bermuda) Limited  
Argyle House  
41a Cedar Avenue  
Hamilton HM12  
Bermuda

### **Structural Facilitator:**

Investec Capital Markets,  
a division of Investec Bank Limited  
10 Grayston Drive  
Sandown Sandton  
South Africa 2196

### **Annual Sponsor:**

First Bermuda Group Limited  
Maxwell R Roberts Building  
1 Church Street  
Hamilton HM 11  
Bermuda

### **Legal Advisors:**

<b>Guernsey</b>	<b>Bermuda</b>
Ozannes	Appleby
1 Le Marchant Street	Canon's Court
St Peter Port	22 Victoria Street
Guernsey	Hamilton HM12
GY1 4HP	Bermuda

# **British Capital Property Investments Limited**

## **DIRECTORS' REPORT**

**For the period from the date of incorporation, 8 June 2009, to 31 March 2010**

The Directors submit their Annual Report and the audited Financial Statements of the Company for the period from the date of incorporation being 8 June 2009 to 31 March 2010, which have been prepared properly, in accordance with United Kingdom generally accepted accounting principles, and in accordance with any relevant enactment for the time being in force; and are in agreement with the accounting records, which have been properly kept in accordance with section 244 of The Companies (Guernsey) Law, 2008.

British Capital Property Investments Limited ("the Company") was incorporated on 8 June 2009 as a closed ended investment company registered in Guernsey pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Registered Collective Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission.

The Company's investment objective is to provide an attractive level of income together with prospects for capital growth from investing in property and listed property shares in the United Kingdom and possibly the European continent. Based on market conditions prevailing at the time of its launch, the Company was targeting total returns for Shareholders of 10% per annum over the period of the Company, although such level of return cannot be guaranteed.

### **Directors' Responsibilities**

The Directors are responsible for preparing the financial statements in accordance with applicable Guernsey Law and generally accepted accounting principles.

The Directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:-

- \* select suitable accounting policies and then apply them consistently;
- \* make judgements and estimates that are reasonable and prudent; 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 proper accounting records which 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 (Guernsey) Law, 2008. 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.

### **Activities and Status**

The Company is an closed-ended investment scheme registered in Guernsey on 8 June 2009 pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended (the "POI Law") and the Registered Collective Investment Scheme Rules 2008.

For commentary on the performance of the fund see the Investment Manager's Report on page 5.

The Company obtained official listing on the Bermuda Exchange on 11 August 2009.

### **Results and Dividends**

The results of the Company for the period are as stated on page 8.

# **British Capital Property Investments Limited**

## **DIRECTORS' REPORT (continued)**

**For the period from the date of incorporation, 8 June 2009, to 31 March 2010**

### **Directors**

The Directors of the Company during the period and to the date of this report are as stated on page 2. All the Directors were appointed on the 8 June 2009.

### **Disclosure of information to the auditor**

The Directors who held office at the date of the approval of the financial statements confirms that, so far as they are each aware:

- \* There is no relevant audit information of which the Company's auditor is unaware; and
- \* Each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Full details of the Company and the share classes in issue can be found in the Prospectus, copies of which are available free of charge, from the Manager or the Administrator.

### **Auditor**

A resolution to re-appointment of Saffery Champness as auditor will be proposed at the Annual General Meeting.

Approved by the Board of Directors at a Meeting held on 22 July 2010 and signed on its behalf by:

Director  
Patricia Colette White

Director  
Jan Adriaan Van Staden

# British Capital Property Investments

## INVESTMENT MANAGER'S REPORT

**For the period from the date of incorporation, 8 June 2009, to 31 March 2010**

British Capital closed its initial offer for shares on the 23 October 2009 and raised just under GBP 8 million in investor equity. The last quarter of 2009 and the first quarter of 2010 saw a resurgence in commercial property values in most sectors. British Capital however remained focused on value investing and after reviewing in excess of 120 properties it acquired its first two properties in the second quarter of this year namely Russell Hobbs ('The Salton Distribution Warehouse') in Wolverhampton and McBride's in St Helen's.

Both acquisitions are strategically located adjacent to major urban areas:

- The Salton Distribution Warehouse is located on the periphery of the West Midlands Urban Area – the UK's second most populous urban area.
- The McBride Factory & Warehouse is strategically located between the Greater Manchester Urban Area (third most populous area) and the Liverpool Urban Area (seventh most populous area).

Below a high-level profile of British Capitals portfolio following the completion of these two investments.

Property	Price incl. estimated Costs	Current		Finance		Tenant Break Option	Lease Expiry	Tenant D&B Rating
		Annual Rent	Yield	Loan	Rate			
McBride	7,500 000	526,795	7.02%	4,460,000	4.82%	3.2024	3.2029	5A1
Salton	9,100 000	665,268	7.31%	5,427,500	4.81%	N/A	1.203	3A1
	16,600 000	1,192,063	7.18%	9,887,500				

The Funding was secured at very favourable rates from Santander Bank, and reflects a 65% LTV, the cost of which was fixed for five years. Investor equity used to fund the two investments equates to 84% of the initial capital raised. The investment manager is confident that these two acquisitions provide a solid platform for the company to meet its investment objectives.

The Directors have elected to engage in a "Subsequent Equity Raising Period" (as provided for in the Prospectus 24 July 2009) for the following reasons:

- Many property analysts believe the investment market will remain soft into 2011 before the economic fundamentals and occupier markets recover sufficiently to support long-term growth.
- The cost of borrowing is currently low and rates will come under pressure in the medium term as the UK moves into an inflationary period.

The Investment Manager's network of industry relationships has proven fruitful, and we are confident of securing additional assets of quality befitting the portfolio.

# **British Capital Property Investments**

## **INDEPENDENT AUDITOR'S REPORT**

**For the period from the date of incorporation, 8 June 2009, to 31 March 2010**

We have audited the financial statements of British Capital Property Investments Limited for the period from incorporation, on 8 June 2009, to 31 March 2010 which comprise the Consolidated Profit and Loss Statement, the Statement of Changes in Net Assets attributable to Holders of Ordinary Shares, the Statement of Consolidated Financial Position, the Statement of Consolidated Cashflows and the related notes.

This report is made solely to the company's shareholders, as a body, in accordance with section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of Directors and Auditor**

As described on page 3 the Company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 2008. We also report to you if in our opinion the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Investment Manager's Report and the Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

# **British Capital Property Investments**

## **INDEPENDENT AUDITOR'S REPORT (continued)**

**For the period from the date of incorporation, 8 June 2009, to 31 March 2010**

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2010 and of its net loss for the period then ended; and
- the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008.

SAFFERY CHAMPNESS  
CHARTERED ACCOUNTANTS



# British Capital Property Investments Limited

## CONSOLIDATED PROFIT AND LOSS STATEMENT

For the period from the date of incorporation, 8 June 2009, to 31 March 2010

	Note	For the period from the date of incorporation, 8 June 2009, to 31 March 2010
		£
Income	4	25,071
Expenses	5	(203,278)
Net loss for the period		<u>(178,207)</u>
Currency gain	6	<u>2,913</u>
<b>Total loss for the period</b>		<u>(175,294)</u>
<b>Decrease in net assets attributable to Ordinary Shareholders from investment activities</b>		<u>(175,294)</u>
<b>Basic and diluted loss per ordinary share</b>		<b>(22.02)</b>

The Company has no recognised gains or losses other than those included in the consolidated profit and loss statement.

The results of the period relate to continuing operations.

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF ORDINARY SHARES

For the period from the date of incorporation, 8 June 2009, to 31 March 2010

	Note	For the period from the date of incorporation, 8 June 2009, to 31 March 2010
		£
Net assets at the beginning of the period		-
Movement due to issue of shares:		
Amounts receivable on issues	9	7,962,179
Decrease in net assets attributable to Ordinary Shareholders from investment activities		(175,294)
<b>Net assets attributable to Ordinary Shareholders at the end of the period</b>		<u><u>7,786,885</u></u>

The accompanying notes on pages 11 to 18 form part of these financial statements.

# British Capital Property Investments Limited

## STATEMENT OF CONSOLIDATED FINANCIAL POSITION As at 31 March 2010

	Note	2010 £
<b>Assets</b>		
<b>Financial Assets</b>		
Debtors and prepayments	7	74,868
Cash and bank balances		7,721,017
		<u>7,795,885</u>
<b>Liabilities</b>		
Creditors	8	<u>(9,000)</u>
		<u>(9,000)</u>
<b>Net assets attributable to holders of Ordinary Shares</b>	10	7,786,885
<b>Net Assets</b>		<u><u>7,786,885</u></u>
<b>Ordinary Shares in issue</b>	9	<u><u>7,962,179</u></u>
<b>Net asset value per Share</b>	10	<u><u>977.9842</u></u>

The Financial Statements were approved and authorised for issue by the Board of Directors on 22 July 2010 and signed on its behalf by:

Director  
Patricia Colette White

Director  
Jan Adriaan Van Staden

The accompanying notes on pages 11 to 18 form part of these financial statements.

**British Capital Property Investments Limited**

**STATEMENT OF CONSOLIDATED CASH FLOWS**

**For the period from the date of incorporation, 8 June 2009, to 31 March 2010**

**For the period  
from the date of  
incorporation, 8  
June 2009, to 31  
March 2010**

**£**

**Operating activities**

Loss for the period	(175,294)
Adjusted for:	
Issue costs	19,425
Bank deposit interest	(25,071)

**Operating loss before change in working capital and provision** (180,940)

Increase in debtors and prepayments	(74,868)
Increase in creditors	9,000

**Cash used in the operations** (246,808)

**Return on investments and servicing of finance**

Bank deposit interest	25,071
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**Financing Activities**

Issue costs	(19,425)
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**NET CASH OUTFLOW FROM OPERATING ACTIVITIES** (241,162)

Proceeds from issue of Ordinary and Management Shares	7,962,179
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**CASH FLOW FROM FINANCING ACTIVITIES** 7,962,179

**NET CASH INFLOW FOR THE PERIOD** 7,721,017

The accompanying notes on pages 11 to 18 form part of these financial statements.

# **British Capital Property Investments Limited**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the period from the date of incorporation, 8 June 2009, to 31 March 2010**

### **1. Accounting policies**

#### **Accounting convention**

The Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, The Companies (Guernsey) Law, 2008 and as a Collective Investment Scheme under The Protection of Investors (Bailiwick of Guernsey) Law, 1987 and under the historical cost convention. The specific accounting policies are described below.

#### **a) Foreign currencies**

Transactions in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Foreign exchange gains and losses are included in the Statement of Total Return.

#### **b) Establishment costs**

Establishment costs are being written off in the first financial period.

#### **c) Investments**

The Company will invest in property assets with a view to profiting from their capital growth. The portfolio of assets will be managed and its performance evaluated on a fair value basis, in accordance with the documented investment strategy as detailed in the Prospectus.

The Company recognises any purchases and sales of Investments at their trade date. From this date any gains and losses arising from their change in fair value are recorded in accordance with the documented investment strategy as detailed in the Prospectus.

There have been no purchases or sales during the period. However the post balance sheet events note gives details of purchases after the period end date.

#### **d) Going Concern**

The accounts have been prepared on a going concern basis.

#### **e) Dividend policy**

The Company may pay dividends. Any dividends paid will be in accordance with the policy of the Bermuda Stock Exchange and The Companies (Guernsey) Law, 2008.

#### **f) Revenue and Expenses**

Bank deposit interest income and expense are recognised on an accruals basis. Performance fees will be recognised on an accruals basis.

Revenue will include rental income, service charges and management charges from properties. Rental income will be received on a quarterly basis in advance with relevant amounts recognised as a prepayment. Any service and management charges relating to properties owned will be paid as and when they occur.

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably.

# British Capital Property Investments Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the period from the date of incorporation, 8 June 2009, to 31 March 2010 (continued)

### 1. Accounting policies (continued)

#### g) Cash and cash equivalents

Cash comprises current deposits held with Investec Bank (Channel Islands) Limited. There were no cash equivalents at the period end.

#### h) Basis of consolidation

Subsidiaries are those entities, including special purpose entities controlled by the Company. Controls exist when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceased.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

### 2. Fees

The Investment Manager shall be entitled to receive Management fees as follows:

#### Acquisition Fee

Acquisition Fee of 2% (two per cent) of the total purchase price (including, for the avoidance of doubt, the Acquisition Costs) of any immovable Property acquired by the Fund, payable on acquisition.

#### Management Fees

Asset Management Fee equivalent to 1.5% (one comma five per cent) per annum of the Gross Market Value of the Property Portfolio of the Fund payable monthly in arrears on the 1st (first) Business Day of the following month. For the purposes of calculating the amount payable each month in respect of the Asset Management Fee, the most recently determined Gross Market Value of the Property Portfolio of the Company shall be used.

#### Performance Fees

A Performance Fee, payable on the 60th (sixtieth) day following the applicable period, commencing at the end of the 5th (fifth) year after the Initial Closing Date (as such term is defined in the Prospectus) (the "Initial Payment Date") and annually thereafter (each a "Subsequent Payment Date") until the Termination Date such that the first net profit up to 10% (ten per cent) IRR will be applied to the Company's investors after which net profit up to 12% (twelve per cent) IRR will be payable to the Investment Manager. Thereafter the net profits will be split as to 80% (eighty per cent) payable to the Company's investors and 20% (twenty per cent) payable to the Investment Manager. For the purposes of calculating the Performance Fee (if any) on a Subsequent Payment Date, the cumulative IRR for the full period (i.e. since Initial Closing Date) up to that time shall be applied for purposes of calculating the cumulative Performance Fee, and the Performance Fee payable will be net of any Performance Fees paid to date.

# British Capital Property Investments Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the period from the date of incorporation 8 June 2009 to 31 March 2010 (continued)

### 2. Fees (continued)

#### Trail fees

An annual trail fee is payable annually in advance (within 60 (sixty) days of the listing of British Capital) to the Distributors of up to 0.75% (zero point seven five percent) (plus VAT where applicable) of the aggregate subscription proceeds of the Shares subscribed for by Investors, introduced by the relevant Distributor, which have not been redeemed prior to the Redemption Date.

#### Distribution fee

An upfront fee of up to 2% (two percent) of the gross amount paid by an Investor (plus value added tax where applicable) will be deductible upfront by the Distributor of the Company for the introduction of investors by a Distributor to the Company. The amount invested after deduction of the upfront Distribution Fee shall determine the number of Shares to be allocated to each Investor.

#### Redemption fees

A fee of up to 2% of the redemption amount charged in respect of redemptions before the Redemption date payable to the Company.

#### Administration fees

The administration fee is fixed at £30,000 per annum and £3,000 per Board meeting for the provision of secretarial services.

#### Directors' fees

The Directors receive a fee of £7,500 per annum however, Messrs Mackay and Van Staden have waived their rights to receive a Director's fee.

### 3. Guernsey Tax Exempt Status

The Company resides for taxation purposes in Guernsey where it pays an annual tax exemption fee of £600 subject to the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. The Company will continue to be exempt under the Income Tax (Zero-10) (Guernsey) (No 2) Law 2007, which came into force on 1 January 2008.

### 4. Income

Bank deposit interest

**2010**

£

25,071

## British Capital Property Investments Limited

### NOTES TO THE FINANCIAL STATEMENTS

For the period from the date of incorporation, 8 June 2009, to 31 March 2010 (continued)

<b>5. Expenses</b>	<b>2010</b>
	<b>£</b>
Formation and set up fees	88,855
Listing expenses	32,078
Trail fees	19,425
Administration fees	17,378
Structuring fees	15,736
Directors' fees	10,819
Audit fee	9,000
Charitable Trust fees	5,333
Sponsorship fees	1,355
Directors and Officers insurance	1,249
Regulatory fees	740
Sundry expenses	710
Tax exempt fee	600
<b>Total expenses</b>	<b><u>203,278</u></b>
<b>6. Currency gain</b>	<b>2010</b>
	<b>£</b>
Currency gain	<b><u>2,913</u></b>
<b>7. Debtors and prepayments</b>	<b>2010</b>
	<b>£</b>
Distribution fee	39,170
Structuring fee	23,813
Prepaid Directors and Officers insurance	6,751
Prepaid regulatory fees	4,639
Prepaid fees paid on behalf of Special Purpose Vehicles	495
	<b><u>74,868</u></b>
<b>8. Creditors</b>	<b>2010</b>
	<b>£</b>
Audit Fee	<b><u>9,000</u></b>

# British Capital Property Investments Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the period from the date of incorporation, 8 June 2009, to 31 March 2010 (continued)

### 9. Analysis of Shares

<b>Authorised</b>	<b>No. of shares</b>	<b>2010 £</b>
Management shares of £1 each	10	10
Ordinary Shares of £0.10 each	1,000,000	100,000
	<u>1,000,010</u>	<u>100,010</u>

<b>Issued</b>	<b>No. of shares</b>	<b>Share Capital £</b>	<b>Share Premium £</b>	<b>Total £</b>
<b>Management shares of £1 each</b>				
Issued	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>
	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>
<b>Ordinary Shares of £0.10 each</b>				
Issued	<u>7,962</u>	<u>796</u>	<u>7,961,383</u>	<u>7,962,179</u>
	<u>7,962</u>	<u>796</u>	<u>7,961,383</u>	<u>7,962,179</u>

The management shares are non redeemable with a par value of £1 each and are owned by the British Capital Charitable Trust.

### 10. Net Asset Value per share

	<b>2010 £</b>
Net asset value attributable to Ordinary Shares per financial statements	7,786,885
Adjustments relating to fees	<u>(25,180)</u>
<b>Net asset value per valuation report</b>	<u>7,761,705</u>
Shares in issue	<u>7,962,179</u>
Reported Net Assets per share	974.8217
Audited Net Assets per share	977.9842



# British Capital Property Investments Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the period from the date of incorporation 8 June 2009 to 31 March 2010 (continued)

### 11. Financial Risk Management

The Company's activities expose it to a variety of financial risks: interest rate risk, credit/counterparty risk and liquidity risk. The financial risks relate to the following financial instruments: debtors and prepayments, cash and bank balances and creditors.

The Company's overall risk management programme focuses on the unpredictability of the markets in which it operates and seeks to minimise potential adverse effects on the Company's financial performance.

#### a) Interest rate risk

The Company is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates on its cash positions. Management review market interest rates, cash and bank balances on a regular basis to take advantage of the best rates offered at any time.

The interest rate profile of the financial assets and liabilities as at the statement of consolidated financial position date is as follows:

	<b>Non-interest bearing financial assets £</b>	<b>Fixed rate financial assets £</b>	<b>Total £</b>
<b>At 31 March 2010</b>	<u>212,404</u>	<u>7,508,613</u>	<u>7,721,017</u>

The above analysis excludes short-term receivables and payables and excludes Net assets attributable to holders of Ordinary Shares which are non-interest bearing. The fixed rate financial assets and liabilities comprise bank balances, which receive interest based on Investec Bank Limited's base rate.

#### b) Credit/Counterparty Risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company's credit risk principally arises from cash and cash equivalents.

The Directors mitigate this risk by ensuring that the cash and cash balances are held with reputable institutions with long term credit ratings of BBB or above. At the balance sheet date all cash and cash balances were held with Investec Bank (Channel Islands) Limited a wholly owned subsidiary of Investec Bank plc which has a Moody's rating of Baa3 at the balance sheet date.

## **British Capital Property Investments Limited**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the period from the date of incorporation, 8 June 2009, to 31 March 2010 (continued)**

#### **11. Financial Risk Management (continued)**

##### **c) Liquidity Risk**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Directors review this status on a quarterly basis with the object of minimising such losses, by maintaining sufficient cash and other highly liquid current assets.

There is no significant liquidity risk at the balance sheet date.

##### **d) Currency Risk**

The Company's assets may be acquired in currencies other than the base currency of the Company. Investments may be acquired in a wide range of currencies, some of which may be affected by currency movements. The Net Asset Value of the Company may rise or fall due to exchange rate fluctuations.

All of the Company's material transactions and balances at the year end are in sterling and the directors consider that there is no significant currency exposure as at the Balance Sheet date.

#### **12. Immediate and Ultimate Controlling Parties**

Mr Tolcher and Ms White, who are Directors of the Company, are also Directors of the Company's Investment Manager, Cornerstone Asset Managers Limited.

As Directors, during the period, Mr Tolcher and Ms White each received Directors fees of £5,409, the annual fee being £7,500 per annum.

Mr Tolcher and Ms White are also Directors of Legis Fund Services Limited, the Company's administrator, which received £17,378 of fee income during the period.

The Company owns two special purpose vehicles (SPVs), British Capital Finance Limited and British Capital Property Limited, both incorporated in Guernsey on the 23 November 2009. British Capital Finance Limited was incorporated to manage the mezzanine debt of the Company and British Capital Property Limited was incorporated to manage the investment properties. Mr Tolcher and Ms White are also Directors of these two SPV's.

British Capital Charitable Trust holds 2 management shares in the Company, The Charitable Trust incurred fees of £5,333 for the period which the Company paid on its behalf.

## **British Capital Property Investments Limited**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the period from the date of incorporation 8 June 2009 to 31 March 2010 (continued)**

#### **12. Immediate and Ultimate Controlling Parties (continued)**

At the period end £495 was due from the SPV's in relation to legal expenses.

Mr Sean MacKay a Director of the Company is also a Director of CornerstoneBlue Property International (Proprietary) Limited ("CornerstoneBlue"). Jan van Staden a Director of the Company is also a Director of Barnard Jacobs Mellet Private Client Services (Proprietary) Limited ("BJMPCS"). The Company has been founded as a joint venture between CornerstoneBlue and BJMPCS. The Company paid a distribution fee of £58,522 to BJMPCS during the period £39,170 of which has been treated as a prepayment.

#### **13. Post Balance Sheet Events**

On the 18 June 2010 the Company purchased property at Health Mill Road, Wombourne ("Wombourne") for a purchase price for £8,350,000.

In order to finance the purchase of Wombourne, the Company negotiated a £5,427,500 loan facility with Santander UK plc for the sole purpose of the purchase of the property currently let to Russell Hobbs Limited.

On 3rd June 2010 the Company purchased land lying to the west of Lea Green Road, St Helens ("McBrides") for a purchase price of £6,870,000.

In order to finance the purchase of McBrides, the Company negotiated a £4,460,000 loan facility with Santander UK plc. The property is let to Robert McBride Ltd, Eurolink, Lea Green, St Helens, WA9 4TT.

It was a condition of the McBride Facility and the Wombourne Facility being available that British Capital Property Limited ("BCPL") enter into a first ranking security interest agreement over all legal and beneficial interest in all shares issued in BCPL.