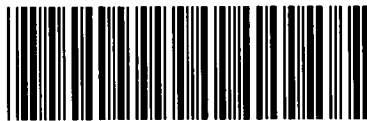


LJ GP Partnership Limited
Financial Statements
31 December 2016

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LJ GP Partnership Limited

Financial Statements

Year ended 31 December 2016

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LJ GP Partnership Limited
Officers and Professional Advisers

The board of directors

Mr E P Shave
Mr A De Meyer
Mr A C Williams
Mr E Lawson Johnston
Mr H Lawson Johnston
Mr J Elkington
Mr A Champalimaud
Mr S Shambayati
Mr J Ball
Mr P Stalman
Mr A S Davies
Mr C M Hamilton
Mr N Beaton
Mr C Filmer
Mrs A Filmer
Ms C Bullrich
Mr R De La Serna
Mr J Remy
Mr A Manieu
Mr T Yeung

Company secretary

Ms G Hardcastle

Registered office

9 Clifford Street
London
England
W1S 2FT

Auditor

BDO LLP
Chartered Accountants & Statutory Auditor
55 Baker Street
London
UK
W1U 7EU

Solicitors

Brown Rudnick LLP
8 Clifford Street
London
UK
W1S 2LQ

LJ GP Partnership Limited

Strategic Report

Year ended 31 December 2016

The directors present their strategic report for the group for the year ended 31 December 2016.

Principal Activity

The principal activity of the group is that of the following three core services:

- a) Sourcing alternative investment and providing advisory and brokerage services in relation to such transactions. Such activities are regulated by the F.C.A..
- b) Providing bespoke investment advice to private clients, family offices, charitable foundations and institutions. Such activities are regulated by the F.C.A. and respective regulatory authorities in Switzerland, USA, Hong Kong and Portugal.
- c) Providing fiduciary, trust, corporate, financial and related management services centred on the wealth planning, investment, business structuring requirements of clients and providing family office and concierge services. Such activities are regulated in the UK, Isle of Man and Switzerland.

Fair review of the groups business

At the end of 2014 a merger took place between the LJ Group of companies and the GP group of companies through LJ GP Partnership Limited. In addition, shares held by management teams in LJ Athene Investment Advisors Limited and LJ Private Office Limited (formerly Unicorn Administration Limited) were also acquired by the company.

The Group has continued to invest time in 2016 putting together the appropriate corporate structure and governance to allow the businesses to grow and achieve advantageous synergies throughout. The Group continues to grow both organically and through acquisitions, with Guggenheim Investment Advisers (Hong Kong) Limited the latest in 2016, along with a large minority stake in The Pradera Group. The intention is to continue this trajectory in future years.

The consolidated results show total revenues of £29m (2015 £19.4m), including income from investments and the groups share of profits from associates and joint ventures. After adjusting for exceptional items including refinancing & restructuring costs, employee share scheme tax payments and equity share based payments, the group can report an adjusted EBITDA of £6m (2015 £3.2m). Adjusted EBITDA pre staff bonus provisions amounted to £7.8m.

The gross margin earned on turnover is 27% pre staff bonus related costs and 20.7% post staff bonus related costs.

Closing net assets are £45.1m, compared to £47.3m a year earlier.

Principal risks and uncertainties

- 1) The groups presence in Switzerland, Portugal, Hong Kong and USA, leave them exposed to fluctuations in the foreign currency market. The directors will monitor this risk.
- 2) The group is exposed to competitive margin pressure and the risk of losing key clients to competitors. The directors monitor this risk through maintaining excellent client service and relationships.
- 3) The nature of the groups activities leave them exposed to possible regulatory penalties, which would have a negative impact in an industry where reputation is key. The directors monitor this risk with thorough group wide compliance procedures.

LJ GP Partnership Limited

Strategic Report *(continued)*

Year ended 31 December 2016

This report was approved by the board of directors on 25/5/17..... and signed on behalf of the board by:



Mr E P Shave
Director



Mr K De Meyer
Director

Registered office:
9 Clifford Street
London
England
W1S2FT

LJ GP Partnership Limited

Directors' Report

Year ended 31 December 2016

The directors present their report and the financial statements of the group for the year ended 31 December 2016.

Directors

The directors who served the company during the year were as follows:

Mr E P Shave
Mr A De Meyer
Mr A C Williams
Mr E Lawson Johnston
Mr H Lawson Johnston
Mr J Elkington
Mr A Champalimaud
Mr S Shambayati
Mr J Ball
Mr P Stalman
Mr A S Davies
Mr C M Hamilton
Mr N Beaton
Mr C Filmer
Mrs A Filmer
Ms C Bullrich
Mr R De La Serna
Mr J Remy
Mr A Manieu
Mr T Yeung

Dividends

The directors do not recommend the payment of a dividend.

Future developments

The directors consider the state of the group's affairs to be encouraging, and anticipate results for the coming year to improve further.

LJ GP Partnership Limited

Directors' Report *(continued)*

Year ended 31 December 2016

Financial risk management objectives and policies

The group's operations expose it to a variety of financial risks that include the effects of price risk, credit risk, liquidity risk and interest rate risk. The group has in place a risk management programme that seeks to limit the adverse effects of financial performance of the group by monitoring levels of debt finance and the related finance costs. The group does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

The group operates systems and controls to mitigate any adverse effects across the range of risks it faces. The group will use financial instruments to manage exposure to price risk, liquidity risk and cash flow risk as appropriate. These risks are managed by the directors' assessment of the exposure of the group to each of those factors.

Credit risk

The group has implemented policies that require appropriate credit checks on potential clients before engaging.

Liquidity risk

The group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the group has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash and loan balances, all of which earn interest at fixed rates. The group has significant borrowings which have been used to fund its expansion. The group has a policy of agreeing fixed interest rates on its borrowing facilities to ensure certainty of future cash outflows.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 36 to the financial statements.

Disclosure of information in the strategic report

The group has included within the strategic report an indication of the group's principal activities and a fair review of the group's business.

The strategic report also includes the principal risks and uncertainties faced by the group, along with an assessment of the group's exposure to those risks.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

LJ GP Partnership Limited

Directors' Report *(continued)*

Year ended 31 December 2016

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

BDO LLP have indicated a willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

This report was approved by the board of directors on 25/5/17 and signed on behalf of the board by:



Mr E P Shave
Director



Mr A De Meyer
Director

Registered office:
9 Clifford Street
London
England
W1S2FT

LJ GP Partnership Limited

Independent Auditor's Report to the Members of LJ GP Partnership Limited

Year ended 31 December 2016

We have audited the financial statements of LJ GP Partnership Limited for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

LJ GP Partnership Limited

Independent Auditor's Report to the Members of LJ GP Partnership Limited (continued)

Year ended 31 December 2016

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Mr Neil Griggs (Senior Statutory Auditor)

For and on behalf of
BDO LLP
Chartered Accountants & statutory auditor

25/5/17.

55 Baker Street
London
UK
W1U 7EU

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

LJ GP Partnership Limited
Consolidated Statement of Comprehensive Income
Year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	26,105,147	17,344,876
Cost of sales		<u>18,072,516</u>	<u>13,043,170</u>
Gross profit		8,032,631	4,301,706
Administrative expenses		8,662,132	6,480,375
Amortisation of intangible assets		6,096,135	5,540,989
Other operating (gains)/losses	5	(187,937)	(538,592)
Loss on impairment or disposal of operations		—	2,120
Operating loss	6	(6,537,699)	(7,183,186)
Share of profit of associates	16	510,649	662,779
Share of profit of joint ventures	16	426,835	436,545
Income from other fixed asset investments	10	1,665,757	412,961
Interest receivable	11	477,769	770,825
Interest payable	12	(2,967,394)	(2,058,294)
Loss before taxation		(6,424,083)	(6,958,370)
Taxation on ordinary activities	13	(46,554)	(11,286)
Loss for the financial year		(6,470,637)	(6,969,656)
Share of other comprehensive income of joint ventures	16	(116,978)	—
Foreign currency retranslation		4,175,310	1,018,132
Other comprehensive income for the year		4,058,332	1,018,132
Total comprehensive income for the year		(2,412,305)	(5,951,524)
Loss for the financial year attributable to:			
The owners of the parent company		(6,628,895)	(7,023,048)
Non-controlling interests		158,258	53,392
		<u>(6,470,637)</u>	<u>(6,969,656)</u>
Total comprehensive income for the year attributable to:			
The owners of the parent company		(2,570,839)	(6,004,916)
Non-controlling interests		158,534	53,392
		<u>(2,412,305)</u>	<u>(5,951,524)</u>

All the activities of the group are from continuing operations.

The notes on pages 18 to 57 form part of these financial statements.

LJ GP Partnership Limited

Consolidated Statement of Financial Position

31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	14	44,873,292	44,873,449
Tangible assets	15	301,393	228,456
Investments:	16		
Investments in associates		4,127,542	3,797,572
Investments in joint-ventures		13,706,268	5,484,522
Other fixed asset investments		104,745	44,740
		<u>63,113,240</u>	<u>54,428,739</u>
Current assets			
Debtors	17	14,018,924	12,022,213
Investments	18	2,925	2,836
Cash at bank and in hand		4,493,400	6,223,068
		<u>18,515,249</u>	<u>18,248,117</u>
Creditors: amounts falling due within one year	20	<u>35,397,797</u>	<u>24,337,116</u>
Net current liabilities		<u>(16,882,548)</u>	<u>(6,088,999)</u>
Total assets less current liabilities		<u>46,230,692</u>	<u>48,339,740</u>
Creditors: amounts falling due after more than one year	21	778,944	988,631
Provisions			
Taxation including deferred tax	22	4,477	3,757
Other provisions	22	334,355	36,887
		<u>338,832</u>	<u>40,644</u>
Net assets		<u>45,112,916</u>	<u>47,310,465</u>
Capital and reserves			
Called up share capital	27	3,886	3,886
Share premium account	28	53,829,286	53,829,286
Reserve for own shares	28	(507,748)	(507,748)
Profit and loss account	28	(8,104,956)	(5,955,887)
Equity attributable to the owners of the parent company		<u>45,220,468</u>	<u>47,369,537</u>
Non-controlling interests		<u>(107,552)</u>	<u>(59,072)</u>
		<u>45,112,916</u>	<u>47,310,465</u>

The consolidated statement of financial position
continues on the following page.

The notes on pages 18 to 57 form part of these financial statements.

LJ GP Partnership Limited

Consolidated Statement of Financial Position *(continued)*

31 December 2016

These financial statements were approved by the board of directors and authorised for issue on 25/5/17, and are signed on behalf of the board by:



Mr E Shave

Director



Mr A De Meyer

Director

Company registration number: 09111421

The notes on pages 18 to 57 form part of these financial statements.

LJ GP Partnership Limited
Company Statement of Financial Position
31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Investments	16	50,861,248	46,551,574
Current assets			
Debtors	17	27,075,726	22,594,853
Cash at bank and in hand		688,502	18,105
		<u>27,764,228</u>	<u>22,612,958</u>
Creditors: amounts falling due within one year	20	<u>30,427,606</u>	<u>18,287,156</u>
Net current (liabilities)/assets		<u>(2,663,378)</u>	<u>4,325,802</u>
Total assets less current liabilities		<u>48,197,870</u>	<u>50,877,376</u>
Net assets		<u>48,197,870</u>	<u>50,877,376</u>
Capital and reserves			
Called up share capital	27	3,886	3,886
Share premium account	28	53,829,286	53,829,286
Reserve for own shares	28	(507,748)	(507,748)
Profit and loss account	28	(5,127,554)	(2,448,048)
Members funds		<u>48,197,870</u>	<u>50,877,376</u>

The loss for the financial year of the parent company was £3,101,276 (2015: £2,497,077).

These financial statements were approved by the board of directors and authorised for issue on 25/5/17, and are signed on behalf of the board by:



Mr E Shave

Director



Mr A De Meyer

Director

Company registration number: 09111421

The notes on pages 18 to 57 form part of these financial statements.

LJ GP Partnership Limited
Consolidated Statement of Changes in Equity
Year ended 31 December 2016

	Called up share capital £	Share premium account £	Reserve for own shares £	Profit and loss account £	Equity attributable to the owners of the parent company £	Non controlling interests £	Total £
At 1 January 2015	3,117	45,659,815	–	(171,311)	45,491,621	–	45,491,621
Loss for the year				(7,023,048)	(7,023,048)	53,392	(6,969,656)
Other comprehensive income for the year:							
Foreign currency gain	–	–	–	1,018,132	1,018,132	–	1,018,132
Total comprehensive income for the year	–	–	–	(6,004,916)	(6,004,916)	53,392	(5,951,524)
Issue of shares	769	8,169,471	–	–	8,170,240	3	8,170,243
Dividends paid and payable	–	–	–	–	–	(6,500)	(6,500)
Purchase of treasury shares	–	–	(507,748)	–	(507,748)	–	(507,748)
Issue of convertible debt	–	–	–	179,385	179,385	–	179,385
Equity-settled share-based payments	–	–	–	40,955	40,955	–	40,955
Acquisition of subsidiary with minority interest	–	–	–	–	–	7,242	7,242
Distributions to other members in LLP controlled by the group	–	–	–	–	–	(139,209)	(139,209)
Capital contributions to LLP controlled by the group from other members	–	–	–	–	–	26,000	26,000
Total investments by and distributions to owners	769	8,169,471	(507,748)	220,340	7,882,832	(112,464)	7,770,368
At 31 December 2015	3,886	53,829,286	(507,748)	(5,955,887)	47,369,537	(59,072)	47,310,465

The consolidated statement of changes in equity
continues on the following page.

The notes on pages 18 to 57 form part of these financial statements.

LJ GP Partnership Limited
Consolidated Statement of Changes in Equity *(continued)*
Year ended 31 December 2016

	Called up share capital £	Share premium account £	Reserve for own shares £	Profit and loss account £	Equity attributable to the owners of the parent company £	Non controlling interests £	Total £
At 1 January 2016	3,886	53,829,286	(507,748)	(5,955,887)	47,369,537	(59,072)	47,310,465
Loss for the year				(6,628,895)	(6,628,895)	158,258	(6,470,637)
Other comprehensive income for the year:							
Share of other comprehensive income of joint ventures	—	—	—	(116,978)	(116,978)	—	(116,978)
Foreign currency gain	—	—	—	4,175,034	4,175,034	276	4,175,310
Total comprehensive income for the year	—	—	—	(2,570,839)	(2,570,839)	158,534	(2,412,305)
Issue of shares	—	—	—	—	—	692	692
Issue of convertible debt	—	—	—	166,901	166,901	—	166,901
Equity-settled share-based payments	—	—	—	254,869	254,869	—	254,869
Distributions to other members in LLP controlled by the group	—	—	—	—	—	(207,706)	(207,706)
Total investments by and distributions to owners	—	—	—	421,770	421,770	(207,014)	214,756
At 31 December 2016	<u>3,886</u>	<u>53,829,286</u>	<u>(507,748)</u>	<u>(8,104,956)</u>	<u>45,220,468</u>	<u>(107,552)</u>	<u>45,112,916</u>

The notes on pages 18 to 57 form part of these financial statements.

LJ GP Partnership Limited

Company Statement of Changes in Equity

Year ended 31 December 2016

	Called up share capital £	Share premium account £	Reserve for own shares £	Profit and loss account £	Total £
At 1 January 2015	3,117	45,659,815	–	(171,311)	45,491,621
Loss for the year	—	—	—	(2,497,077)	(2,497,077)
Total comprehensive income for the year	—	—	—	(2,497,077)	(2,497,077)
Issue of shares	769	8,169,471	—	—	8,170,240
Purchase of treasury shares	—	—	(507,748)	—	(507,748)
Issue of convertible debt	—	—	—	179,385	179,385
Equity-settled share-based payments	—	—	—	40,955	40,955
Total investments by and distributions to owners	769	8,169,471	(507,748)	220,340	7,882,832
At 31 December 2015	3,886	53,829,286	(507,748)	(2,448,048)	50,877,376
Loss for the year	—	—	—	(3,101,276)	(3,101,276)
Total comprehensive income for the year	—	—	—	(3,101,276)	(3,101,276)
Issue of convertible debt	—	—	—	166,901	166,901
Equity-settled share-based payments	—	—	—	254,869	254,869
Total investments by and distributions to owners	—	—	—	421,770	421,770
At 31 December 2016	<u>3,886</u>	<u>53,829,286</u>	<u>(507,748)</u>	<u>(5,127,554)</u>	<u>48,197,870</u>

The notes on pages 18 to 57 form part of these financial statements.

LJ GP Partnership Limited
Consolidated Statement of Cash Flows
Year ended 31 December 2015

	Note	2016 £	2015 £
Cash flows from operating activities			
Loss for the financial year		(6,470,637)	(6,969,656)
<i>Adjustments for:</i>			
Depreciation of tangible assets		118,980	98,145
Amortisation of intangible assets		6,096,135	5,540,989
Share of profit of associates		(510,649)	(662,779)
Share of profit of joint ventures		(426,835)	(436,545)
Income from other fixed asset investments		(1,665,657)	(412,961)
Interest receivable		(477,769)	(770,825)
Interest payable		2,967,394	2,058,294
Loss on disposal of participating interests		–	50
Loss on disposal of tangible assets		940	–
Profit on disposal of investments		(187,937)	
Loss on impairment or disposal of operations		–	2,120
Equity-settled share-based payments		254,870	40,955
Unrealised foreign currency loss		551,548	43,861
Taxation on ordinary activities		46,554	11,286
Accrued expenses		–	21,250
Bad debt expense		–	60,022
<i>Changes in:</i>			
Provisions		165,648	(13,021)
Trade and other debtors		1,558,495	(1,673,981)
Trade and other creditors		(158,465)	1,087,536
Cash generated from operations		1,862,615	(1,962,239)
Tax paid		(81,488)	(84,452)
Net cash generated from/(used in) operating activities		<u>1,781,127</u>	<u>(2,046,691)</u>
Cash flows from investing activities			
Purchase of tangible assets		(153,531)	(188,377)
Proceeds from sale of tangible fixed assets		1,551	–
Proceeds from disposal of other investments		187,937	
Cash advances and loans granted		(2,142,492)	(247,444)
Cash receipts from the repayment of advances and loans		1,960,633	559,911
Acquisition of subsidiaries (net of cash acquired)		(2,979,426)	(177,131)
Acquisition of interests in associates and joint ventures		(8,917,869)	(2)
Cancellation of forward contract		(83,179)	–
Purchases of other investments		(66,840)	(7,067)
Proceeds from sale of other investments		–	198,535
Dividends received		3,086,005	901,015
Interest received		252,430	432,499
Deferred consideration paid on acquisition		(283,568)	(2,071,593)
Dividend paid to previous shareholders of subsidiary		–	(84,000)
Net cash (used in)/from investing activities		<u>(9,138,349)</u>	<u>(683,654)</u>

The consolidated statement of cash flows
continues on the following page.

The notes on pages 18 to 57 form part of these financial statements.

LJ GP Partnership Limited

Consolidated Statement of Cash Flows *(continued)*

Year ended 31 December 2016

	Note	2016 £	2015 £
Cash flows from financing activities			
Proceeds from issue of ordinary shares		–	5,060,390
Proceeds from issue of other equity instrument		–	26,000
Proceeds from borrowings		27,721,898	19,923,625
Repayments of borrowings		(19,524,702)	(14,862,667)
Proceeds from loans from participating interests		–	178,149
Repayments of loans from participating interests		–	(35,285)
Interest paid		(2,440,630)	(2,791,206)
Dividends paid		–	(6,500)
Distribution of profits to minority interest in LLP		(227,206)	(139,206)
Issue of shares to minority interest		692	3
Net cash from financing activities		<u>5,530,052</u>	<u>7,353,303</u>
Net increase in cash and cash equivalents		(1,827,170)	4,622,958
Cash and cash equivalents at beginning of year		6,079,730	1,412,911
Exchange gains on cash and cash equivalents		240,840	43,861
Cash and cash equivalents at end of year	19	<u>4,493,400</u>	<u>6,079,730</u>

The notes on pages 18 to 57 form part of these financial statements.

LJ GP Partnership Limited
Notes to the Financial Statements
Year ended 31 December 2016

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 9 Clifford Street, London, W1S2FT, England.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost basis, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss. They have been prepared in accordance with applicable accounting standards.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The company has taken advantage of the exemption in section 408 of the companies act from disclosing its individual profit and loss account.

The financial statements are prepared in sterling, which is the functional currency of the group.

Employee benefits

Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Long term incentive scheme

Directors and key management of this company were invited to subscribe for new shares in the parent company during the previous year. The shares were not granted at a discount, but payment of the consideration due would only be payable upon a subsequent sale of the shares.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Disclosure exemptions

The parent entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102 in relation to the parent company's own results:

- (a) Disclosures in respect of each class of share capital have not been presented.
- (b) No cash flow statement has been presented for the company on the basis that its cash flows are included in the consolidated cash flow statement.
- (c) Disclosures in respect of financial instruments have not been presented.
- (d) Disclosures in respect of share-based payments have not been presented.
- (e) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together with the Group's share of the results of associates and joint ventures made up to 31 December 2016.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

Where control of a subsidiary is achieved in stages, the initial acquisition that gave the Group control is accounted for as a business combination. Thereafter where the Group increases its controlling interest in the subsidiary the transaction is treated as a transaction between equity holders. Any difference between the fair value of the consideration paid and the carrying amount of the non-controlling interest acquired is recognised directly in equity. No changes are made to the carrying value of assets, liabilities or provisions for contingent liabilities.

Where the Group has established an employee share ownership plan (in this case LJ GP Nominee Limited) and is the sponsoring entity, notwithstanding the legal duties of the trustees, the Group considers that it has 'de facto' control of such entities. Such arrangements are accounted for as assets and liabilities of the sponsoring company and included in the

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

consolidated financial statements as appropriate. The Company's equity instruments held by LJ GP Nominee Limited are accounted for as if they were the Company's own equity and are treated as treasury shares. No gain or loss is recognised in profit or loss or other comprehensive income on the purchase, sale or cancellation of the Company's own equity held by LJ GP Nominee Limited.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

Non-controlling interests

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the minority interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty *(continued)*

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Limited economic rights over entities controlled by the group

In the case of LJ Maple Limited, LJ Maple Circus Limited, LJ Maple Hamlet Limited, LJ Maple Hill Limited, LJ Maple Belgravia Limited, LJ Maple St Johns Wood Limited, LJ Maple Kew Limited, LJ Maple Chelsea Limited, LJ Maple Toffy Limited, LJ Capital (RL) Limited, LJ Greenwich Sarl, LJ Green Lanes Holdings Limited, LJ Maple Kensington Limited, LJ Maple Nine Elms Limited, LJ Maple Duke Limited, LJ Maple Abbey Limited and LJ Capital (Woody) Limited, the group control 100% of the voting rights (aside from reserved matters) (80% of LJ Capital (Woody) Limited) by virtue of their holding of a certain class of shares.

These entities have all issued a separate class of share to third party investors and raised finance from them, which has then been invested in property deals. These class of shares do not have any voting rights, but are entitled to the vast majority of economic returns. The group is entitled to a small 'promote fee' based on a percentage of the total profits from each deal, but does not invest any money into the deals initially.

While the group controls the voting rights of the entities, it considers the restrictions to entitlement of profit from these entities to demonstrate a severe long term restriction. It does not therefore consider the voting rights in determining whether each entity is a subsidiary, associate or joint venture.

Each entity has therefore been classified as a fixed asset investment at cost less impairment, with any dividends recognised upon receipt. Details concerning the financial performance and position of these entities can be found in the notes to the financial statements.

Treatment of LJ Capital (HPGL) Limited

In the case of LJ Capital (HPGL) Limited the group holds 100% of the ordinary A shares and 25.2% of the ordinary B shares. The A shares hold voting rights concerning day-to-day matters and are entitled to certain performance related returns, whereas the B shares receive the majority of economic returns.

To make any decisions on the reserved matters of the company, agreement must be obtained from 75% of A and B shareholders. The reserved matters include all financial and operating policies of the company. The group cannot make any decisions on these policies without the approval of other B shareholders in LJ Capital (HPGL) Limited. The group does not therefore control LJ Capital (HPGL) Limited and it has not been accounted for a subsidiary.

The group does have significant influence over LJ Capital (HPGL) Limited by virtue of its shareholding and the entity has therefore been classified as an associate and its results equity accounted in note 16.

Limited economic rights over entities owned by the group

The group owns 100% of the share capital of LJ London Holdings Limited. The company was incorporated to invest in a property joint venture. To fund this, loan funding was obtained by LJ London Holdings Limited from a third party. Under the terms of the loan the vast majority of the profits from the venture revert to the lender, with the group entitled to a promote fee at conclusion. The group had no financial exposure to the venture.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty *(continued)*

The group considers the terms of the loan to demonstrate a severe long term restriction over rights to income from LJ London Holdings Limited. It has therefore been classified as a fixed asset investment at cost less impairment, with any dividends recognised upon receipt. In the absence of the terms of the loan, it would otherwise have been classified as a subsidiary.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Useful economic lives and impairment of intangible assets

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually.

The group also considers whether intangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. See note 14 for the carrying amount of the intangible assets, and note 3 for the useful economic lives for each class of asset.

Provisions

Provision is made for onerous contracts and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

Useful economic lives of tangible fixed assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 15 for the carrying amount of the property plant and equipment, and note 3 for the useful economic lives for each class of assets.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Revenue recognition

Corporate finance engagements, long term contracts and promotes/carries on property sales

Invoices raised for the provision of annual or quarterly services are taken to the profit and loss account on a pro rata basis over the period from the date of the invoice or renewal. The resulting accrued or deferred income is included within debtors or creditors respectively. This would include corporate finance engagements, management support and office space.

In respect of long term contracts, turnover is calculated by reference to the value of work performed to date as a proportion of the total estimated contract value. To the extent that the total contract value is not known owing to the final returns on the real estate funds being variable, the directors best estimates of future revenue is used in calculating the total contract value. The assumptions behind these estimates are reviewed annually taking into account market conditions.

Placement fees are recognised as invoiced at point of transaction closing.

Income from other fixed asset investments relating to promotes/carries on property sales are recognised at point of sale.

Interest and investment income

Interest income is recognised using the effective interest rate method.

Dividend income is recognised when the right to receive payment is established.

UK Investment advisory revenue

The turnover shown in the accounts represents amounts due to the group for services rendered in the year, exclusive of Value Added Tax. Consultancy Fees are invoiced on a quarterly basis in arrears and therefore at any point in time there is a level of accrued income pro-rata to the currently engaged client annual fee list or if known the actual invoiced amounts.

The majority of Advisory fees are received from the Pershing Platform quarterly in arrears. At any point in time there is a level of accrued income pro-rata to the expected annual revenues from Pershing. All other Advisory Fees are recognised on date of receipt.

Overseas Investment advisory revenue

Portfolio management and performance fees generally consist of percentage fees based upon client's portfolio size and performance and are billed to clients following the close of each calendar quarter. At the end of each month there is an income accrual provided for pro rata quarterly fees which are billed post quarter end. These fees are net amounts after taking into consideration any commissions payable.

Trust and fiduciary revenue

Turnover comprises revenue (exclusive of Value Added Tax) recognised by the group in respect of services supplied. Invoices raised for the provision of annual services are taken to the profit and loss account on a pro rata basis over the year from the date of the invoice or renewal. The resulting deferred income is included within creditors. Work in Progress is carried at 70% of recorded time. Any agent fees are booked as income when they are invoices.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Private and family office revenue

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Invoicing is completed monthly in arrears, with any resulting accrued income included in debtors at the year end.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Foreign currencies

Functional and presentational currency

The group financial statements are presented in pound sterling.

The company's functional and presentation currency is the pound sterling.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Foreign operations

The trading results of Group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income' and allocated to non-controlling interest as appropriate.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Goodwill

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Subsidiaries, joint ventures and associates - 10 years straight line.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Intangible assets *(continued)*

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	-	10 years straight line
Brands and licences	-	Between 2 and 10 years straight line
Customer list	-	10 years straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Short leasehold property improvements	-	Various - straight line over remaining term on property lease
Fixtures and fittings	-	Between 3 and 5 years straight line
Office equipment	-	Between 3 and 5 years straight line

Investments

Fixed asset investments are initially recorded at cost and subsequently stated at cost less any accumulated impairment losses. Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Investments in associates

Investments in associates are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate.

Goodwill arising on acquisition of associates is included within the investment cost. This is amortised over 10 years and included in the share of profits/losses included in the income statement.

Investments in joint ventures

Investments in joint ventures are accounted for using the equity method of accounting, whereby the investment is initially recognised at the transaction price and subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the joint venture.

Goodwill arising on acquisition of joint ventures is included within the investment cost. This is amortised over 10 years and included in the share of profits/losses included in the income statement.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Compound instruments

Compound instruments comprise both a liability and an equity component. At date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar debt instrument. The liability component is accounted for as a financial liability.

The residual is the difference between the net proceeds of issue and the liability component (at time of issue). The residual is the equity component, which is accounted for as an equity instrument.

The interest expense on the liability component is calculated applying the effective interest rate for the liability component of the instrument. The difference between this amount and any repayments is added to the carrying amount of the liability in the balance sheet.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Share-based payments

During the previous year, 10,495 ordinary shares in the company were issued to certain employees of the company as part of a long term incentive scheme. The shares were granted to the employees on 24 September 2015 and are held in trust by LJ GP Nominee Limited, a company which is controlled by LJ GP Partnership Limited. Unconditional rights to the shares do not pass to the employees until a certain period of service has been completed (between 1 and 3 years from the date of grant). The expense of shares granted is being recognised by the group over the period of service. They are deemed to be equity settled share based payments.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the group's estimate of the shares that will eventually vest, which involves making assumptions about the number of leavers over the vesting period. The vesting period is determined by the period of time the employees must remain in the groups employment before the rights to the shares transfer unconditionally to them.

Fair value has been determined with reference to recent transactions with external investors in the company's shares.

Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately. However, if a new transaction is substituted for the cancelled transaction and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

The group has no-cash settled arrangements.

The charge is recognised around the group based on a reasonable allocation of the total charge. The allocation is the total charge for the group pro-rated for the number of participating employees of each subsidiary. In the parent company, a portion of the charge has therefore been recognised as an increase in the cost of investment in subsidiaries.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Business combinations

Business combinations are accounted for using the purchase method.

The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

Where control is achieved in stages, the cost of the business combination is the aggregate of the fair values of the assets given, liabilities incurred or assumed and equity instruments issued at the date of each transaction in the series.

Where the business combination requires an adjustment to the cost contingent on future events, the estimated amount of that adjustment is included in the cost of the combination at the acquisition date providing it is probable and can be measured reliably. Where it is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration is treated as an adjustment to the cost of the combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 10 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

4. Turnover

Turnover arises from:

	2016 £	2015 £
Rendering of services	<u>26,105,147</u>	<u>17,344,876</u>

The turnover is attributable to the one principal activity of the group. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2016 £	2015 £
United Kingdom	13,375,841	8,187,108
Switzerland	7,818,224	6,740,839
Portugal	254,261	227,212
USA	2,478,582	2,189,717
Hong Kong	1,932,168	—
Spain	246,071	—
	<u>26,105,147</u>	<u>17,344,876</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

5. Other operating gains/(losses)

	2016 £	2015 £
Gain/(loss) on disposal of other investments	<u>187,937</u>	<u>538,592</u>

6. Operating profit

Operating profit or loss is stated after charging:

	2016 £	2015 £
Amortisation of intangible assets	6,096,135	5,540,989
Depreciation of tangible assets	118,980	98,145
Loss on disposal of tangible assets	961	—
Impairment of trade debtors	6,016	155,289
Equity-settled share-based payments expense	254,869	40,955
Foreign exchange differences	727,408	463,131
Payments made under operating leases	<u>1,328,455</u>	<u>796,512</u>

7. Auditor's remuneration

	2016 £	2015 £
Fees payable for the audit of the financial statements	<u>225,401</u>	<u>119,000</u>
Fees payable to the company's auditor and its associates for other services:		
Taxation compliance services	3,101	28,750
Other assurance services	3,747	40,000
	<u>6,848</u>	<u>68,750</u>

8. Particulars of employees

The average number of persons employed by the group during the year, including the directors, amounted to:

	2016 No.	2015 No.
Administrative staff	105	85
Management staff	25	22
	<u>130</u>	<u>107</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2016 £	2015 £
Wages and salaries	11,536,872	8,551,784
Social security costs	735,535	573,954
Other pension costs	235,895	191,862
	<u>12,508,302</u>	<u>9,317,600</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

9. Directors' remuneration

The directors aggregate remuneration in respect of qualifying services was:

	2016	2015
	£	£
Remuneration	4,729,832	3,374,956
Company contributions to defined contribution pension plans	53,472	42,761
Sums paid to third parties in respect of directors services	1,860,151	1,112,919
	<u>6,643,455</u>	<u>4,530,636</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2016	2015
	No.	No.
Defined contribution plans	<u>4</u>	<u>5</u>

The number of directors who exercised share options and received shares under a long term incentive scheme during the year was as follows:

	2016	2015
	No.	No.
Directors who received shares under a long term incentive scheme	<u>–</u>	<u>11</u>

Remuneration of the highest paid director in respect of qualifying services:

	2016	2015
	£	£
Aggregate remuneration	1,494,225	748,396
Company contributions to defined contribution pension plans	7,165	–
	<u>1,501,390</u>	<u>748,396</u>

10. Income from other fixed asset investments

	2016	2015
	£	£
Income from other fixed asset investments	<u>1,665,757</u>	<u>412,961</u>

11. Interest receivable

	2016	2015
	£	£
Interest on loans and receivables	99,622	36,765
Interest on cash and cash equivalents	1,425	281
Interest receivable on mezz financing arrangements	96,756	504,468
Interest receivable from participating interests	4,010	10,308
Gain on financial instruments	275,956	219,003
	<u>477,769</u>	<u>770,825</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

11. Interest receivable *(continued)*

The total gain recognised in respect of financial assets measured at fair value through profit or loss is £275,956 (2015 - £219,003).

The total income recognised in respect of financial assets measured at amortised cost is £201,813 (2015 - £551,822).

The total interest income in respect of financial assets which are not measured at fair value through profit or loss is £201,813 (2015 - £551,822).

12. Interest payable

	2016 £	2015 £
Interest on banks loans and overdrafts	6,933	3,578
Interest payable on mezz financing arrangements	44,235	297,870
Other interest payable and similar charges	2,916,226	1,756,846
	<u>2,967,394</u>	<u>2,058,294</u>

The total expense recognised in relation to financial liabilities measured at amortised cost is £2,967,394 (2015 - £2,058,294).

The group does not have any financial liabilities measured at fair value through profit or loss.

The total interest expense for financial liabilities which are not measured at fair value through profit or loss is £2,967,394 (2015 - £2,058,294).

13. Taxation on ordinary activities

Major components of tax expense

	2016 £	2015 £
Current tax:		
UK current tax income	-	(4,086)
Foreign current tax expense	26,321	50,393
Total current tax	<u>26,321</u>	<u>46,307</u>
Deferred tax:		
Origination and reversal of timing differences	20,233	(35,021)
Taxation on ordinary activities	<u>46,554</u>	<u>11,286</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

13. Taxation on ordinary activities *(continued)*

Reconciliation of tax expense

The tax assessed on the loss on ordinary activities for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20%).

	2016 £	2015 £
Loss on ordinary activities before taxation	(6,424,083)	(6,958,370)
Loss on ordinary activities by rate of tax	(1,284,816)	(1,391,674)
Adjustment to tax charge in respect of prior periods	–	1,333
Effect of expenses not deductible for tax purposes	164,366	110,312
Effect of revenue exempt from tax	(333,311)	(122,881)
Effect of different UK tax rates on some earnings	(238,959)	5,878
Movement in unrecognised deferred tax	776,227	601,326
Rounding on tax charge	–	384
Amortisation arising on consolidation	1,183,228	1,072,198
Minority interest in LLP not taxable in group	(45,242)	(26,518)
Effect of change in UK tax rates	–	(258)
Specific tax allowance in US subsidiary	(166,694)	(86,324)
Income from associates and JV's not taxable in group	(8,245)	(119,130)
Tax on loss	46,554	11,286

14. Intangible assets

Group	Goodwill £	Patents, trademarks and licences £	Client lists £	Total £
Cost				
At 1 January 2016	33,984,550	9,583,588	6,846,300	50,414,438
Additions	96,000	–	–	96,000
Acquisitions through business combinations	2,579,939	–	–	2,579,939
Translation gains/(losses)	2,191,608	487,943	740,488	3,420,039
At 31 December 2016	38,852,097	10,071,531	7,586,788	56,510,416
Amortisation				
At 1 January 2016	3,341,576	1,519,773	679,640	5,540,989
Charge for the year	3,739,224	1,622,651	734,260	6,096,135
At 31 December 2016	7,080,800	3,142,424	1,413,900	11,637,124
Carrying amount				
At 31 December 2016	31,771,297	6,929,107	6,172,888	44,873,292
At 31 December 2015	30,642,974	8,063,815	6,166,660	44,873,449

The company has no intangible assets.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

15. Tangible assets

Group	Land and buildings £	Fixtures and fittings £	Equipment £	Total £
Cost or valuation				
At 1 January 2016	98,530	275,751	736,035	1,110,316
Additions	25,530	17,990	110,031	153,551
Disposals	–	(46,114)	(37,479)	(83,593)
Acquisitions through business combinations	–	–	99,006	99,006
Translation gains	7,007	12,571	83,192	102,770
Transfers	–	(1,596)	1,597	1
At 31 December 2016	131,067	258,602	992,382	1,382,051
Depreciation				
At 1 January 2016	74,833	170,247	636,780	881,860
Charge for the year	24,970	25,530	68,480	118,980
Disposals	–	(44,112)	(36,969)	(81,081)
Translation gains	5,324	9,809	72,790	87,923
Acquisitions through business combinations	–	–	72,976	72,976
Transfers	–	(1,595)	1,595	–
At 31 December 2016	105,127	159,879	815,652	1,080,658
Carrying amount				
At 31 December 2016	25,940	98,723	176,730	301,393
At 31 December 2015	23,697	105,504	99,255	228,456

The company has no tangible assets.

16. Investments

Group	Interests in associates £	Joint ventures £	Loans to participating interests £	Other investments other than loans £	Total £
Share of net assets/cost					
At 1 January 2016	3,797,572	5,484,522	–	44,740	9,326,834
Additions	54,851	8,917,839	21,484	45,522	9,039,696
Transfers	–	7,000	–	(7,001)	(1)
Share of profit or loss	642,469	426,835			1,069,304
Dividends received	(369,378)	(1,050,870)			(1,420,248)
Movements in equity	–	(116,878)			(116,878)
Gains/(losses) on translation	2,028	37,820	–	–	39,848
At 31 December 2016	4,127,542	13,706,268	21,484	83,261	17,938,555
Impairment					
At 1 Jan 2016 and 31 Dec 2016	–	–	–	–	–

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

16. Investments *(continued)*

Carrying amount					
At 31 December 2016	<u>4,127,542</u>	<u>13,706,268</u>	<u>21,484</u>	<u>83,261</u>	17,938,555
At 31 December 2015	<u>3,797,572</u>	<u>5,484,522</u>	<u>—</u>	<u>44,740</u>	<u>9,326,834</u>

The share of profit or loss from associates and joint ventures includes amortisation relating to the acquisition of those associates and joint ventures totalling £290,854 and £918,966 respectively.

Company	Shares in group undertakings £	Loans to group undertakings £	Shares in participating interests £	Other investments other than loans £	Total £
Cost					
At 1 January 2016	37,801,551	299,692	8,750,000	23	46,851,266
Additions	<u>4,309,674</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,309,674</u>
At 31 December 2016	<u>42,111,225</u>	<u>299,692</u>	<u>8,750,000</u>	<u>23</u>	<u>51,160,940</u>
Impairment					
At 1 Jan 2016 and 31 Dec 2016	<u>—</u>	<u>299,692</u>	<u>—</u>	<u>—</u>	<u>299,692</u>
Carrying amount					
At 31 December 2016	<u>42,111,225</u>	<u>—</u>	<u>8,750,000</u>	<u>23</u>	<u>50,861,248</u>
At 31 December 2015	<u>37,801,551</u>	<u>—</u>	<u>8,750,000</u>	<u>23</u>	<u>46,551,574</u>

Subsidiaries, associates and other investments

Details of the investments in which the group and the parent company have an interest of 20% or more are as follows:

	Country of incorporation	Class of share	Percentage of shares held
Subsidiary undertakings			
LJ Capital Limited	United Kingdom	Ordinary	100
LJ Investment Management Limited	United Kingdom	Ordinary Ordinary*	75 25
LJ Private Office (UK) Limited (formerly Unicorn Administration Limited)	United Kingdom	Ordinary*	100
LJ GP Carry Sarl	Luxembourg	Ordinary	100
LJ Athene Investment Advisors Limited*	United Kingdom	Ordinary	100
Guggenheim Partners Latin America Inc.	USA	Ordinary	100
Guggenheim Investment Advisors (Suisse) SA	Switzerland	Ordinary	100
GGH Partners Portugal - Sociedade Gestora De Patrimonios S.A.	Portugal	Ordinary	100
Guggenheim Investment Advisers (Hong Kong)	Hong Kong	Ordinary	100

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

16. Investments *(continued)*

Limited			
LJ GP International Limited*	Isle of Man	Ordinary	100
LJ Trust and Fiduciary Holdings Limited*	Isle of Man	Ordinary	100
LJ Group Holdings Limited*	Isle of Man	Ordinary	100
LJ Management (Suisse) SA*	Switzerland	Ordinary	100
LJ Management (IOM) Limited*	Isle of Man	Ordinary	100
LJ GP Carry (IOM) Limited*	Isle of Man	Ordinary	100
LJ Luxembourg SA*	Luxembourg	Ordinary	100
LJ Capital (Mauritius) Limited*	Mauritius	Ordinary	100
	United		
Salisbury Partners LLP*	Kingdom	LLP Interest	100
	United		
LJ Management (UK) Limited*	Kingdom	Ordinary	100
	United		
LJ Private Client Limited*	Kingdom	Ordinary	100
	United		
LJ Real Estate Advisors Limited*	Kingdom	Ordinary	65
	United		
LJ Retail Holdings Limited*	Kingdom	Ordinary	100
LJ Capital (IOM) Hadley Limited*	Isle of Man	Ordinary	100
LJ Management Holdings Corp	USA	Ordinary	100
LJ Sports and Entertainment LLC*	USA	Ordinary	100
LJ Investment Advisors LLC*	USA	Ordinary	100
	United		
LJ Administration (UK) Limited*	Kingdom	Ordinary	100
	United		
LJ Africa Advisors Limited*	Kingdom	Ordinary	100
Puffin Agencies Limited*	Gibraltar	Ordinary	100
	British Virgin		
Clambake Limited*	Islands	Ordinary	100
Clambake Inc.*	USA	Ordinary	100
	British Virgin		
Dubois Services Limited*	Islands	Ordinary	100
	British Virgin		
Cellar Limited*	Islands	Ordinary	100
	British Virgin		
LJ Management (BVI) Limited*	Islands	Ordinary	100
	United		
LJ Skye Limited*	Kingdom	Ordinary	100
	United		
LJ Skye (UK) Limited*	Kingdom	Ordinary	100
	British Virgin		
LJ Skye Services Limited*	Islands	Ordinary	100
	Turks and		
Cellar Inc.*	Caicos	Ordinary	100
Skyefid LLC*	Isle of Man	Ordinary	100
	British Virgin		
LJ Capital Partners Limited*	Islands	Ordinary	100
Triptych Holdings (Gibraltar) Limited*	Gibraltar	Ordinary	100
LJ Skye Trustees Limited*	Isle of Man	Ordinary	100
Waterstreet One Limited*	Isle of Man	Ordinary	100
Waterstreet Two Limited*	Isle of Man	Ordinary	100
Park Limited*	Isle of Man	Ordinary	100

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

16. Investments *(continued)*

Lake Limited*	Isle of Man	Ordinary	100
Harbour Limited*	Isle of Man	Ordinary	100
Stone Limited*	Isle of Man	Ordinary	100
Whitebridge Limited*	Isle of Man	Ordinary	100
LJ QG Bow Limited*	Isle of Man	Ordinary	100
LJ Escrow Services Limited*	St Vincent & Grenadines	Ordinary	100
CF I Feeder GP Limited*	Cayman Islands	Ordinary	100
KF I Feeder GP Limited*	Cayman Islands	Ordinary	100
LJ Ardstone Spain S.L.*	Spain	Ordinary	70
LJ Cresco Holdco Limited*	Isle of Man	Ordinary	100
LJ Administration (UK) Limited*	United Kingdom	Ordinary	100
Other significant holdings (refer to note 3 for accounting treatment)			
LJ Capital (Woody) Limited*	United Kingdom	A Shares B Shares	100 16
LJ Capital (RL) Limited*	United Kingdom	A Shares Ordinary	100
LJ London Holdings Limited	Isle of Man	shares	100
LJ Maple Limited*	Guernsey	A Shares	100
LJ Greenwich Sarl*	Luxembourg	A Shares B Shares	0.19 100
LJ Maple Belgravia Limited*	British Virgin Islands	A Shares	100
LJ Maple Circus Limited*	British Virgin Islands	A Shares	100
LJ Maple Hamlet Limited*	British Virgin Islands	A Shares	100
LJ Maple Hill Limited*	British Virgin Islands	A Shares	100
LJ Maple St. Johns Wood Limited*	British Virgin Islands	A Shares	100
LJ Maple Kew Limited*	British Virgin Islands	A Shares	100
LJ Maple Kensington Limited*	British Virgin Islands	A Shares	100
LJ Maple Chelsea Limited*	British Virgin Islands	A Shares	100
LJ Maple Tofty Limited*	British Virgin Islands	A Shares	100
LJ Maple Duke Limited*	British Virgin Islands	A Shares	100
LJ Maple Abbey Limited*	British Virgin Islands	A Shares	100
LJ Maple Nine Elms Limited*	British Virgin Islands	A Shares	100
LJ Green Lanes Holdings Limited*	Isle of Man	A Shares	100
LJ T4 GP Limited*	Isle of Man	A Shares	100

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

16. Investments *(continued)*

Associates

Queensgate Investments LLP	United Kingdom	LLP Interest	50
Queensgate Investments II GP LLP	United Kingdom	LLP Interest	30
Queensgate Investment Management Limited	United Kingdom	Ordinary	30
Whitebridge Hospitality Limited	United Kingdom	Ordinary	50
LJ Capital (HPGL) Limited	United Kingdom	B Shares	25
Cellar Holdings Limited	Ireland	A Shares	100
Queensgate Mayfair Carry LP		Ordinary Partnership Interest	50
Queensgate Carry Partner SCS	Luxembourg	Ordinary Partnership Interest	29.1
Queensgate Investments I Sarl	Luxembourg	Ordinary Shares	37.5
Queensgate Mayfair Carry GP Ltd	Isle of Man	Ordinary Shares	50
Queensgate Mayfair Co-Invest GP Ltd	Isle of Man	Ordinary Shares	33.33
Queensgate Investments II Carry GP LLP	United Kingdom	Partnership Interest	25
Queensgate Carry Partner GP Coop SA	Luxembourg	Ordinary Shares	50
Queensgate Investments II Carry GP LP	United Kingdom	Partnership Interest	24
Queensgate Bow Co-Invest Carry LP	United Kingdom	Partnership Interest	25.5
Queensgate Bow Co-Invest Carry GP LLP	United Kingdom	LLP Interest	25
Queensgate Bow GP LLP	United Kingdom	LLP interest	25

Joint ventures

Osprey Equity Partners Limited*	United Kingdom	Ordinary	50
Cresco Capital Urban Yurt Holdings Sarl*	Luxembourg	Ordinary	33.33
Cresco Urban Yurt Sarl*	Luxembourg	Ordinary	33.33
Cresco Urban Yurt S.L.P.*	Luxembourg	Partnership interest	50
Cresco Capital Advisors LLP*	United Kingdom	LLP Interest	33.33
Cresco Capital Group Fund I Limited*	Guernsey	C Shares	100
Osprey Aldgate Advisors Limited*	United Kingdom	Ordinary	50
Kuno Investments Limited*	British Virgin Islands	Ordinary	49.9

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

16. Investments *(continued)*

The results and capital and reserves for group undertakings not included in the consolidated financial statements are as follows:

	Capital and reserves		Profit/(loss) for the year	
	2016	2015	2016	2015
	£	£	£	£
Other significant holdings				
LJ Capital (Woody) Limited*	(50,738)	(49,881)	(857)	(726)
LJ Capital (RL) Limited*	8,774	11,138	(2,364)	697,191
LJ London Holdings Limited	(1,568)	529,852	(531,420)	664,392
LJ Maple Limited*	171,370	2,806,713	934,729	2,828,800
LJ Greenwich Sarl*	27,933	39,136	(11,196)	2,414
LJ Maple Chelsea Limited*	240,477	(107,749)	348,226	(27,803)
LJ Maple Hamlet Limited*	(184,241)	(132,681)	(51,560)	(132,881)
LJ Maple Circus Limited*	(179,820)	(116,226)	(63,594)	(116,316)
LJ Maple Belgravia*	7,917	26,847	(18,930)	85,834
LJ Maple Tofty Limited*	(92,257)	(71,892)	(20,365)	(21,671)
LJ Maple St Johns Wood Limited*	(75,732)	(60,935)	(14,798)	(17,445)
LJ Maple Kew Limited*	3,225	(58,555)	688,652	(13,953)
LJ Maple Kensington Limited	(39,684)	(31,414)	(8,270)	(8,619)
LJ Maple Hill Limited*	(183,102)	(128,910)	(54,192)	(128,998)
LJ Maple Nine Elms Limited*	(18,065)	—	(18,067)	—
LJ Maple Duke Limited*	(131,680)	—	(131,880)	—
LJ Maple Abbey Limited*	(83,795)	—	(83,995)	—
LJ T4 GP Limited*	17,243,878	5,698,632	450,746	(580,170)
LJ Green Lanes Holdings Limited*	11,366,360	11,374,484	(8,124)	—

* denotes investments not held directly by the parent company

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

17. Debtors

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	2,785,950	2,771,600	–	–
Amounts owed by group undertakings	–	–	24,192,098	19,524,833
Amounts owed by undertakings in which the company has a participating interest	541,192	293,049	–	–
Deferred tax asset	237,404	157,523	–	–
Prepayments and accrued income	5,438,195	4,133,835	131,204	178,776
Corporation tax repayable	10,825	–	–	–
Directors loan account	2,526,855	2,141,717	2,526,855	2,453,229
Derivative financial assets	–	219,021	–	219,021
Other debtors	2,478,503	2,305,468	225,569	218,994
	<u>14,018,924</u>	<u>12,022,213</u>	<u>27,075,726</u>	<u>22,594,853</u>

Amounts due from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

18. Investments

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Other investments	<u>2,925</u>	<u>2,836</u>	<u>–</u>	<u>–</u>

19. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2016	2015
	£	£
Cash at bank and in hand	4,493,400	6,223,068
Bank overdrafts	–	(143,338)
	<u>4,493,400</u>	<u>6,079,730</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

20. Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Convertible 6% loan note	4,722,625	5,084,123	4,722,625	5,084,123
Short term borrowings and overdrafts	23,466,291	14,886,060	23,466,291	13,062,425
Deferred consideration payable on acquisition	405,147	309,147	–	–
Trade creditors	1,037,689	718,161	–	–
Amounts owed to group undertakings	–	–	1,638,908	–
Amounts owed to undertakings in which the company has a participating interest	272,145	203,574	25,425	–
Accruals and deferred income	4,205,662	1,850,448	24,549	40,000
Corporation tax	5,131	43,860	–	–
Social security and other taxes	295,999	254,458	–	–
Loan interest payable	546,861	284,553	546,408	97,208
Other creditors	440,247	702,732	3,400	3,400
	<u>35,397,797</u>	<u>24,337,116</u>	<u>30,427,606</u>	<u>18,287,156</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Convertible debt

The convertible loan notes were issued on 12 December 2016 and have a maturity date of 30 September 2017. Interest accrues on the principal amount of £4.83m at 6% per annum, payable in arrears. The loan notes are unsecured.

Short term borrowings and overdrafts

Short term borrowings and overdrafts outstanding at the year-end were:

	Group		Company	
	2016	Group 2015	2016	Company 2015
	£	£	£	£
Senior loan	23,466,291	13,062,425	23,466,291	13,062,425
Unsecured loan facilities	–	1,680,297	–	–
Overdrafts	–	143,338	–	–
Total	<u>23,466,291</u>	<u>14,886,060</u>	<u>23,466,291</u>	<u>13,062,425</u>

The senior loan facility attracts an interest rate of 9.75% per annum and is due for repayment in December 2017 following the subsequent events disclosed in 36. The loan is secured against the shares of the parent company and assets of the group.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

21. Creditors: amounts falling due after more than one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Deferred consideration payable on acquisition	<u>778,944</u>	<u>988,631</u>	<u>–</u>	<u>–</u>

The deferred consideration is payable in four instalments from March 2017 through to March 2020. Further details regarding the measurement of this liability are included in note 32 to the financial statements.

22. Provisions

Group	Onerous contracts £	Deferred tax (note 23) £	Net liabilities of associate £	Total £
At 1 January 2016	–	3,757	36,887	40,644
Additions	165,648	–	–	165,648
Share of associates (profit)/loss for year	–	–	131,820	131,820
Foreign exchange difference	–	720	–	720
At 31 December 2016	<u>165,648</u>	<u>4,477</u>	<u>168,707</u>	<u>338,832</u>

The company does not have any provisions.

Provision for net liabilities of associate

The provision for net liabilities of an associate relates to an associate which is in a net liability position.

In the opinion of the directors, the group has a constructive obligation to continue supporting the entity, and therefore its results continue to be equity accounted.

The loss of £131,820 includes amortisation of the goodwill which arose on acquisition totalling £26,755.

Provision for onerous contract

LJ Private Office (UK) Limited, a wholly owned subsidiary, vacated its office in November 2016. The lease on the premises does not expire until June 2021, and the building remains vacant. Efforts are being made to sub let or exit the lease.

Currently full provision has been made for all future rents, service charge and council tax due under the terms of the lease. The current best estimate of the future payments due, assuming efforts to sub let the premises are unsuccessful, is £275,982. This has been discounted using the groups cost of capital of 9.75%, giving a net present value of £165,648. This amount has been provided for in full. The discount will unwind as a finance charge. The provision will be reviewed annually.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

23. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Included in debtors (note 17)	237,404	157,523	–	–
Included in provisions (note 22)	(4,477)	(3,757)	–	–
	<u>232,927</u>	<u>153,766</u>	<u>–</u>	<u>–</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Accelerated capital allowances	4,477	3,757	–	–
Unused tax losses	(84,737)	(11,017)	–	–
Accrued expenses not yet tax deductible	(152,667)	(146,506)	–	–
	<u>(232,927)</u>	<u>(153,766)</u>	<u>–</u>	<u>–</u>

The net reversal of deferred tax assets and liabilities in the 12 months following the reporting period is not expected to be material.

Unrecognised deferred tax

Group

The group has cumulative UK tax losses of £11,492,869 (2015 - £8,484,609), which if realised at the 2016 UK main corporation tax rate of 20% would generate a tax saving of £2,298,574. No deferred tax asset has been recognised in respect of these tax losses due to the uncertain timing of sufficient profits being generated to utilise them.

The group also has an unprovided overseas deferred tax asset of £868,379 in relation to a subsidiary resident in the USA. No deferred tax asset has been recognised in respect of these tax losses due to the uncertain timing of sufficient profits being generated to utilise them.

The group also has an immaterial unprovided deferred tax liability in respect of timing differences relating to the purchase of fixed assets.

Company

The company has cumulative UK tax losses of £5,690,130 (2015 - £1,688,684) which if realised at the 2016 UK corporation tax rate of 20% would generate a tax saving of £1,138,026. No deferred tax asset has been recognised in respect of these tax losses due to the uncertain timing of sufficient profits being generated to utilise them.

24. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £235,895 (2015: £191,862).

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

25. Share-based payments

During the previous year, the group set up an employee share scheme. 10,495 ordinary shares were issued to LJ GP Nominee Limited to fulfil the requirements of the scheme. LJ GP Nominee Limited is a subsidiary of LJ GP Nominee Limited and holds the shares on trust for the employees.

The intention of the scheme was to reward and provide incentive for staff/management to be rewarded financially for helping to build and grow the Group successfully.

Full rights to the shares do not pass to employees until a certain period of service has been completed, which is between 1 and 3 years from the date of grant. If an employee is a bad leaver in that period, the shares remain with LJ GP Nominee Limited and the employee is not entitled to any payment or reward. Whether an employee is a good or bad leaver is determined at the discretion of the directors. There are no other market or non-market vesting conditions. The vesting period is therefore treated as being between 1 and 3 years, and the fair value of the shares granted is therefore expensed over that period.

Once the shares have vested, no further payment is required to be made by the employee for the shares, and unconditional rights pass to them.

In determining the expense to recognise, management has had to consider the number of shares that will eventually vest, and therefore make a number of assumptions on the number of bad leavers throughout the vesting period. Management has assumed that there will be staff turnover of 15% throughout the vesting period and the cost has been discounted accordingly. This assumption will be reviewed annually.

During the year, two key members of staff of a subsidiary company were awarded the right to acquire shares in LJ GP Partnership Limited in lieu of a cash settlement of commission totalling £95,051 they were due under the conditions of their employment contracts. There were no vesting conditions and consequently the expense has been recognised in full immediately.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

The total expense recognised in profit or loss for the year is as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Equity-settled share-based payments	<u>254,869</u>	<u>40,955</u>	<u>1,104</u>	<u>276</u>

Fair value of the equity instruments granted was determined with reference to two recent transactions in the company's ordinary shares with external investors. Each involved two previously unconnected investors each purchasing/subscribing for shares equal to 20% of the issued share capital of the company. The price per share paid was £119 and £129 respectively in March and June 2015.

Each of these transactions were for shares totalling 20% of the total share capital. The purchasers were both appointed directors of the company, and received the benefit of a number of warranties under the terms of their investment agreements. Both now have significant influence over the group.

The shares which have been granted as part of the employee share plan do not benefit from the same conditions. They are also for minority holdings, with the total shares issued representing less than 3% of the total share capital of the company. Of this, the highest percentage of shares awarded to an individual is less than 0.3% of the total share capital of the company. For this reason, the directors have applied a 50% discount to the price paid in the transactions described above in estimating the fair value of the equity instruments granted. This resulted in an estimated unrestricted market value of the shares granted of £64.50.

The shares granted also have a number of restrictions attached to them (aside from vesting conditions) concerning the ability to transfer the shares to another party. For this reason, a further 25% discount has been applied to the unrestricted market value. This has resulted in an estimated fair value of the equity instruments granted of £48.38 per share.

26. Financial instruments

The carrying amount for each category of financial instrument is as follows:

Financial assets measured at fair value through profit or loss

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Derivative financial assets measured at fair value through profit or loss	<u>–</u>	<u>219,021</u>	<u>–</u>	<u>219,021</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

26. Financial instruments *(continued)*

Financial assets that are debt instruments measured at amortised cost

	Group	
	2016	2015
	£	£
Trade debtors	2,785,950	2,771,600
Other debtors	2,478,503	2,305,468
Amounts owed by undertakings in which the company has a participating interest	541,192	293,049
Directors loan account	2,526,855	2,141,717
	<u>8,332,500</u>	<u>7,511,834</u>

Financial liabilities measured at amortised cost

	Group	
	2016	2015
	£	£
Trade and other creditors	1,477,936	1,420,893
Short term borrowings, overdrafts and convertible 6% loan note	28,188,916	19,970,183
Deferred consideration payable on acquisition (current and non current)	1,184,091	1,297,778
Amounts owed to undertakings in which the company has a participating interest	272,145	203,574
Loan interest payable	546,861	284,553
	<u>31,669,949</u>	<u>23,176,981</u>

27. Called up share capital

Issued, called up and fully paid

	2016		2015	
	No.	£	No.	£
Ordinary class E shares of £0.01 each	2,145	21	2,145	21
Ordinary class E1 shares of £0.01 each	1	—	1	—
Ordinary shares of £0.01 each	<u>386,455</u>	<u>3,865</u>	<u>386,455</u>	<u>3,865</u>
	<u>388,601</u>	<u>3,886</u>	<u>388,601</u>	<u>3,886</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

27. Called up share capital *(continued)*

Ordinary shareholders are entitled to receive notice of, attend, speak at and vote at general meetings. They are entitled to receive distributions of profits other than those distributable E and E1 shareholders.

E shareholders are not entitled to receive notice of, attend, speak at and vote at general meetings. They are entitled to receive distributions of profits in relation to specific deals and transactions as defined in the shareholders agreement and articles of association.

E shareholders are not entitled to receive notice of, attend, speak at and vote at general meetings. They are entitled to receive distributions of profits in relation to specific deals and transactions as defined in the shareholders agreement and articles of association.

10,495 of the ordinary shares in issue are held by LJ GP Nominee Limited, a subsidiary company. These shares are held for the purpose of satisfying an employee share ownership plan.

28. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Reserve for own shares

This reserve records the value of shares held by LJ GP Nominee Limited for the purposes of satisfying the employee share ownership scheme. At 31 December 2016, a total of 10,495 shares were held by LJ GP Nominee Limited (2015: 10,495).

Profit and loss account

This reserve records retained earnings and accumulated losses.

29. Minority interests

Group

The movement in minority interests was as follows:

	2016 £	2015 £
Issue of shares to minority interest in LJ Real Estate Advisors Limited	–	3
Capital contribution from minority interest in Salisbury Partners LLP	–	26,000
Minority interest in Salisbury Partners LLP at acquisition	–	7,242
Total comprehensive income attributable to minority interests	158,534	53,392
Distributions to minority interests	(207,706)	(145,709)
Issue of shares to minority interest in LJ Ardstone Spain S.L.	692	–
	<u>(48,480)</u>	<u>(59,072)</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

30. Analysis of changes in net debt

	At 1 Jan 2016 £	Cash flows £	Other changes £	At 31 Dec 2016 £
Cash at bank and in hand	6,223,068	(1,970,508)	240,840	4,493,400
Bank overdrafts	(143,338)	143,338	—	—
Debt due within one year	(20,455,098)	(7,504,968)	(633,996)	(28,594,062)
Debt due after one year	(988,631)	2,368	207,319	(778,944)
	<u>(15,363,999)</u>	<u>(9,329,770)</u>	<u>(185,837)</u>	<u>(24,879,606)</u>

31. Reconciliation of net cash flow to movement in net debt

	2016 £	2015 £
Increase in cash and cash equivalents in the year	(1,827,170)	4,666,819
Proceeds from borrowings	(27,721,898)	(19,923,625)
Repayments of borrowings	19,907,783	14,862,677
Payment of deferred cash consideration	311,515	2,071,593
Other non-cash movements	(185,837)	(946,373)
Change in net debt	(9,515,607)	731,091
Net debt at 1 January 2016	(15,363,999)	(16,095,090)
Net debt at 31 December 2016	<u>(24,879,606)</u>	<u>(15,363,999)</u>

32. Business combinations

Acquisition of Guggenheim Investment Advisors (Hong Kong) Limited

The acquisition of Guggenheim Investment Advisors (Hong Kong) Limited was completed on 31 March 2016. Guggenheim Investment Advisors (Hong Kong) Limited is an investment advisory business and should complement the groups existing activities.

100% of the company's share capital was acquired.

The useful life of the goodwill acquired is deemed to be 10 years and is to be amortised over that period.

The fair value of consideration paid in relation to the acquisition of Guggenheim Investment Advisors (Hong Kong) Limited is as follows:

	£
Cash	3,712,696
Legal and professional fees	30,738
Cancellation of share option plan	312,474
	<u>4,055,908</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

32. Business combinations *(continued)*

The initial cash payment stipulated by the share purchase agreement was US\$3,500,000 and HK\$279,825, which had a GBP equivalent of £2,627,149. In addition, a further payment of £1,085,547 was due post acquisition in respect of a 'cash sweep'. This payment has also been capitalised.

Two senior employees were subject to a share option plan with the former owners. In response to the cancellation of these options following acquisition, a payment of £312,474 was made. This has also been capitalised as part of the acquisition cost.

Legal fees totalling £30,738 associated with the acquisition have been added to the cost of the investment.

The fair value of amounts recognised at the acquisition date in relation to Guggenheim Investment Advisors (Hong Kong) Limited are as follows:

	Fair value £
Tangible assets acquired	26,031
Trade debtors acquired	907,428
Cash and cash equivalents acquired	1,076,482
Trade creditors assumed	(217,590)
Other creditors assumed	(316,381)
	<u>1,475,970</u>
Goodwill on acquisition	2,579,938
	<u><u>4,055,908</u></u>

The consolidated statement of comprehensive income for the financial year includes turnover of £2,003,489 and loss of £33,584 in respect of Guggenheim Investment Advisors (Hong Kong) Limited since the acquisition date.

33. Capital commitments

Capital expenditure contracted for but not provided for in the financial statements is as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Intangible assets	–	2,485,136	–	2,485,136
	<u>–</u>	<u>2,485,136</u>	<u>–</u>	<u>2,485,136</u>

At the previous year end, the parent company had entered in to a share purchase agreement in relation to the entire issued share capital of Guggenheim Investment Advisors (Hong Kong) Limited. Contracts had been exchanged. Completion was finalised once regulatory approval had been received. The group had committed to paying USD\$3,500,000 and HK\$1,208,125 on completion of the transaction. The transaction completed in May 2016.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

34. Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Not later than 1 year	1,163,385	1,004,733	–	–
Later than 1 year and not later than 5 years	1,704,988	1,521,795	–	–
Later than 5 years	1,150,850	1,306,874	–	–
	<u>4,019,223</u>	<u>3,833,402</u>	<u>–</u>	<u>–</u>

35. Contingencies

Acquisition of a 49.9% share in Kuno Investments Limited

On 31 May 2016 the group completed the acquisition of a minority stake in Kuno Investments Limited.

As part of the agreement relating to the acquisition of Kuno Investments Limited during the period, there is a potential earn out payment with a maximum value of £2,150,526. This is dependent on the consolidated financial results of Kuno Investments Limited in the years ended 31 December 2018 and 31 December 2019.

Based on the information currently available, the directors do not view it as probable that any further payment will be made, and therefore no provision has been made for this contingent consideration. The directors will continue to review the likelihood of making an earn out payment moving forward. Final confirmation of whether a earn out payment will be made and the quantum of any such payment will not be available until the financial statements for the year ended 31 December 2019 are finalised.

Acquisition of Salisbury Partners LLP

A deferred contingent consideration is payable in four further annual instalments through to March 2020.

The amount payable is contingent on the average annual assets under management of Salisbury Partners LLP across the earn out period. The current estimate of the remaining total future outflows is £1,263,049 and will be reviewed annually. This has been discounted using the company's market rate of interest of 9.75% and the present value is £1,088,091. The discount is released as a finance charge.

This is presented in creditors on the statement of financial position. The total purchase consideration will not exceed £3,000,000. Payments to date total £626,098. Based on the current assumptions, the total expected payments are £1,673,632.

Senior loan facility

The senior loan facility with an outstanding balance of £23,466,291 due to Rich Shanghai Limited is secured with a fixed and floating charge over the whole assets of the group.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

36. Events after the end of the reporting period

In January 2017, the group acquired the remaining ordinary B shares in LJ Capital (HPGL) Limited for a total consideration of £725,138, taking its shareholding from 25.2% to 100%.

In May 2017, the group agreed an extension to its senior short term borrowing facility from May 2017 to December 2017. This £25,000,000 facility has been extended while the group continues to pursue potential new equity investment and debt providers.

37. Directors' advances, credits and guarantees

During the year the directors entered into the following advances and credits with the company and its subsidiary undertakings:

	2016			
	Balance brought forward	Advances/ (credits) to the directors	Amounts repaid	Balance outstanding
	£	£	£	£
Mr E P Shave	323,168	9,702	–	332,870
Mr A De Meyer	195,560	4,243	161,334	361,137
Mr A C Williams	323,168	9,702	–	332,870
Mr E Lawson Johnston	323,168	9,702	–	332,870
Mr H Lawson Johnston	323,168	9,702	–	332,870
Mr J Elkington	159,113	2,970	170,787	332,870
Mr S Shambayati	92,208	2,768	–	94,976
Mr A S Davies	92,208	2,768	–	94,976
Mr C M Hamilton	92,208	2,768	–	94,976
Mr N Beaton	92,208	2,768	–	94,976
Mr C Filmer	125,540	3,515	(7,591)	121,464
	<u>2,141,717</u>	<u>60,608</u>	<u>324,530</u>	<u>2,526,855</u>

	2015			
	Balance brought forward	Advances/ (credits) to the directors	Amounts repaid	Balance outstanding
	£	£	£	£
Mr E P Shave	–	323,168	–	323,168
Mr A De Meyer	–	195,560	–	195,560
Mr A C Williams	–	323,168	–	323,168
Mr E Lawson Johnston	–	323,168	–	323,168
Mr H Lawson Johnston	20,376	323,239	(20,447)	323,168
Mr J Elkington	–	159,113	–	159,113
Mr S Shambayati	(637,756)	(266,431)	996,395	92,208
Mr A S Davies	–	92,208	–	92,208
Mr C M Hamilton	–	92,208	–	92,208
Mr N Beaton	(1,181,408)	71,485	1,202,131	92,208
Mr C Filmer	63,254	145,486	(83,200)	125,540
	<u>(1,735,534)</u>	<u>1,782,372</u>	<u>2,094,879</u>	<u>2,141,717</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

37. Directors' advances, credits and guarantees *(continued)*

During the previous year, Mr E P Shave, Mr E Lawson Johnston, Mr A C Williams, Mr H Lawson Johnston and Mr J Elkington each subscribed for shares with a total value of £350,336. The consideration is not due for payment until a sale of the shares or until the above individuals leave the employment of the group. The outstanding purchase consideration is interest free. The consideration for each has been discounted at a rate of 3% with an assumed 3 year repayment period, resulting in a present value each of £320,592. Discount of £9,702 (2015 - £2,576) was released during the year. A balance of £332,870 (2015 - £323,168) is outstanding from each of the above individuals at the balance sheet date.

Separately, Mr H Lawson Johnston had previously been loaned £20,000 by companies acquired by the group on 31 December 2014. Interest of £376 had previously accrued on this loan. During the year, interest totalling £nil (2015 - £71) accrued on the loan and repayments of £nil (2015 - £20,447) were received. A balance of £nil (2015: £nil) was outstanding at the year-end in respect of this loan.

Separately, Mr J Elkington also loaned the group £nil (2015 - £150,000) during the year. The interest rate on the loan is 18% per annum and £6,732 (2015 - £14,055) accrued during the year. Repayments of £170,786 (2015 - £nil) were made during the year. A balance of £nil (2015 - £164,055) was outstanding at the year-end in respect of this loan.

During the previous year, Mr A De Meyer subscribed for shares with a total value of £380,086. The consideration is not due for payment until a sale of the shares or until Mr A De Meyer leaves the employment of the group. The outstanding purchase consideration is interest free. The consideration has been discounted at a rate of 3% with an assumed 3 year repayment period, resulting in a present value of £347,817. Discount of £10,526 (2015 - £2,794) was released during the year. A balance of £361,137 (2015 - £350,611) is outstanding at the balance sheet date.

Separately, Mr A De Meyer also loaned the group £nil (2015 - £140,000) during the year. The interest rate on the loan is 18% per annum and £6,283 (2015 - £15,051) accrued during the year. Repayments of £161,334 (2015 - £nil) were made during the year. A balance of £nil (2015 - £155,051) was outstanding at the year-end in respect of this loan.

During the previous year, Mr S Shambayati subscribed for shares with a total value of £99,960. The consideration is not due for payment until a sale of the shares or until Mr S Shambayati leaves the employment of the group. The outstanding purchase consideration is interest free. The consideration has been discounted at a rate of 3% with an assumed 3 year repayment period, resulting in a present value of £91,473. Discount of £2,768 (2015 - £735) was released during the year. A balance of £94,977 (2015 - £92,208) is outstanding at the balance sheet date.

Separately, Mr S Shambayati had also previously loaned £600,000 to companies acquired by the group on 31 December 2014. Interest accrued at 15% per annum on these loans, and accrued interest at 31 December 2014 totalled £37,756. During the year, interest totalling £nil (2015 - £40,639) accrued on these loans, and repayments of £nil (2015 - £678,395) were made. A balance of £nil (2015: £nil) was outstanding at the year-end in respect of these loans.

During the previous year, Mr A S Davies, Mr C M Hamilton and Mr N Beaton subscribed for shares with a total value of £99,960. The consideration is not due for payment until a sale of the shares or until Mr A S Davies leaves the employment of the group. The outstanding purchase consideration is interest free. The consideration has been discounted at a rate of 3% with an assumed 3 year repayment period, resulting in a present value of £91,473. Discount of £2,768 (2015 - £735) was released during the year. A balance of £94,977 (2015 - £92,208) is outstanding from each of the above individuals at the balance sheet date.

Separately, Mr N Beaton has previously loaned £494,006 to companies acquired by the group on 31 December 2014. The loan was interest free, but has been discounted using the market rate

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

37. Directors' advances, credits and guarantees *(continued)*

available at the time of 6%. During the year, interest totalling £nil (2015 - £9,618) was released and repayments of £nil (2015 - £494,006) were made. A balance of £nil (2015: £nil) was outstanding at the balance sheet date.

Separately, at 31 December 2014 Mr N Beaton was owed a total of £697,020 by the group for the acquisition of his shares in a company acquired by the group on 31 December 2014. Interest accrued at 9.75% on this deferred consideration. Interest totalling £nil (2015 - £11,105) accrued on this during the year and payments of £nil (2015 - £708,125) were made. A balance of £nil (2015: £nil) was outstanding at the balance sheet date.

During the previous year, Mr C Filmer subscribed for shares with a total value of £74,970. The consideration is not due for payment until a sale of the shares or until Mr C Filmer leaves the employment of the group. The outstanding purchase consideration is interest free. The consideration has been discounted at a rate of 3% with an assumed 3 year repayment period, resulting in a present value of £68,605. Discount of £2,076 (2015 - £551) was released during the year. A balance of £71,232 (2015 - £69,156) is outstanding at the balance sheet date.

Separately, Mr C Filmer had previously been loaned £63,254 by companies acquired by the group on 31 December 2014. Further loans of £nil (2015 - £67,781) were made during the year and £nil (2015 - £83,200) was waived by the group as part of the acquisition of Mr C Filmer's shares in the company acquired by the group. Interest accrued at 3% per annum, and totalled £1,439 (2015 - £955) during the year. A balance of £50,229 (2015: £48,790) was outstanding at the year-end in respect of this loan.

LJ GP Partnership Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2016

38. Related party transactions

Group

During the year the group entered into the following transactions with related parties:

	Income/(expenditure)		Balance owed by/(owed to)	
	2016	2015	2016	2015
	£	£	£	£
Whitebridge Hospitality Ltd - loan debtor	–	–	343,367	263,575
Whitebridge Hospitality Ltd - interest on loan at 8% p.a.	–	–	71,005	71,005
Whitebridge Hospitality Ltd - administrative expenses recharged	7,654	9,561	217,266	209,611
Whitebridge Hospitality Ltd - (provisions made against loan)/provisions written back	–	48,925	(506,884)	(506,884)
LJ Capital (Woody) Ltd – loan debtor	–	–	166,500	166,500
LJ Capital (Woody) Ltd - interest receivable on loan	13,356	13,320	75,248	61,892
LJ Group Partnership LLP - rent received	116,400	116,400	–	–
LJ Group Partnership LLP – profit share received	18,362	–	–	–
CRS Sarl - interest payable on loan creditor	–	(48,586)	–	–
Osprey Equity Partners Ltd - administrative expenses recharged	817	2,298	7,671	6,854
Osprey Equity Partners Ltd – fees payable	(13,750)	–	(13,750)	–
LJ MT LLP - loan debtor	–	–	1,137	331,110
LJ Group Partnership LLP - consultancy expenses payable	(3,266,600)	(2,884,260)	(168,942)	(154,384)
LJ MT LLP - interest payable on loan creditor	–	(7,626)	–	–
Prime Holding Company Inc. - interest payable on loan creditor	–	(17,490)	–	–
LJ Capital (HPGL) Limited - loan debtor	–	–	40,000	40,000
LJ Capital (HPGL) Limited - interest on loan debtor	4,010	10,308	13,741	9,731
Cresco Capital Advisors LLP – Fees & administrative expenses recharged	61,510	–	31,338	–
Queensgate Investments LLP – loan creditor	–	–	(54,821)	–
Queensgate Investments LLP – administrative expenses recharged	8,606	11,848	1,756	494
Queensgate Investments II GP LLP – loan creditor	–	–	(178,449)	(178,449)
Queensgate Investments LLP – expenses recharged	(36,002)	–	–	–
Mr M Farror – loan advanced	3,806	126,768	130,593	126,768
Ms S Rowney – loan advanced	2,768	92,208	94,977	92,208
Cellar Holdings Limited – Fees charged	115,935	90,332	–	83,833
Rich Shanghai Limited – loan creditor	1,390,342	–	24,013,152	–

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

The company indirectly has a 50% shareholding in Whitebridge Hospitality Limited and Osprey Equity Partners Limited. The group has previously advanced working capital loans to Whitebridge Hospitality Limited which attract interest at 8% per annum. They also invoice Whitebridge Hospitality Limited in respect of administrative support services. Full provision has been made against all balances due from Whitebridge Hospitality Limited, as included in the table above.

Mr E P Shave, Mr E Lawson Johnston, Mr J R Elkington, Mr A C Williams, Mr A De Meyer and Mr H Lawson Johnston, all directors of the company, are all members of LJ MT LLP. An interest free loan has previously been provided to LJ MT LLP, as included in the table above.

Mr E P Shave, Mr E Lawson Johnston, Mr J R Elkington, Mr A C Williams, Mr A De Meyer, Mr H Lawson Johnston, Mr N Beaton, Mr A Davies and Mr C Hamilton, all directors of the company, are all members of LJ Group Partnership LLP. The LLP provides consultancy services to the group under a service agreement, as shown in the table above.

CRS Sarl is a company that has a significant shareholding in the ultimate parent company, LJ GP Partnership Limited. It is controlled by a director of LJ GP Partnership Limited, Mr A Champalimaud. It had previously provided working capital loans to the group, all of which were repaid during the previous year.

Prime Holding Inc. is a company controlled by Mr J Ball and Mr P Stalman, both directors of the company. It had previously provided working capital loans to the group, all of which were repaid during the previous year.

The company indirectly has a significant shareholding in LJ Capital (Woody) Limited. It owns 80% of the ordinary A shares and 16.6% of the ordinary B shares. The group has previously provided working capital loans to the company.

The company indirectly has a significant shareholding in LJ Capital (HPGL) Limited. It owns 100% of the ordinary A shares and 25.2% of the ordinary B shares. The group has previously provided working capital loans to the company.

Ms S Rowney and Mr M Farror are both key management personnel. They were each provided with loans during the previous year to subscribe for shares in the company. A discount charge of 3% p.a. is being released on these balances.

The company is a designated member of Cresco Capital Advisors LLP and Queensgate Investments LLP. Various expenses have been recharged to these entities during the year.

The company indirectly has a 30% interest in Queensgate Investments II GP LLP. An interest free loan was received from this entity during 2015.

Cellar Holdings Limited is a company in which the group has a 50% interest. The group charged fees for services to the entity during the year.

Rich Shanghai Limited is a company in which a director and shareholder of the group has a significant shareholding. Rich Shanghai Limited provided the group with a £25,000,000 loan facility during the year which is accruing interest at 9.75% per annum.

See note 9 for disclosure of the director's remuneration. See note 37 for details of advances, credits and guarantees with directors.

The group is exempt from disclosing transactions with companies wholly owned by the group.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

Key management personnel include all persons that have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the group was £8,272,015 (2015: £5,291,984).

Company

Other than transactions disclosed above and in notes 8 and 36, the company's other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

39. Ultimate controlling party

In the opinion of the directors, the company is not controlled by any other individual or entity.

LJ GP Partnership Limited
Consolidated Detailed Income Statement
Year ended 31 December 2016

	2016 £	2015 £
Turnover	26,105,147	17,344,876
Cost of sales		
Investment advisory commissions	780,462	377,253
Direct costs	16,695	20,696
Public relations and marketing	95,438	69,042
Consultancy fees	4,454,897	3,118,227
Placing agent fees	216,722	140,352
Direct wages	8,001,079	6,353,543
Temporary staff	–	35,760
Staff healthcare	326,724	261,483
Equity-settled share-based payments	254,870	40,955
Directors salaries	2,954,199	1,860,043
Social security costs	735,535	573,954
Pension costs - defined contribution	182,423	150,901
Directors pension costs	53,472	40,961
	18,072,516	13,043,170
Gross profit	8,032,631	4,301,706
Overheads		
Administrative expenses	14,758,267	12,021,364
Other operating income	187,937	538,592
Loss on impairment or disposal of operations	–	2,120
Operating loss	(6,537,699)	(7,183,186)
Share of profit of associates	510,649	662,779
Share of profit of joint ventures	426,835	436,545
Income from other fixed asset investments	1,665,757	412,961
Interest receivable	477,769	770,825
Interest payable	2,967,394	2,058,294
Loss before taxation	(6,424,083)	(6,958,370)

LJ GP Partnership Limited

Notes to the Consolidated Detailed Income Statement

Year ended 31 December 2016

	2016 £	2015 £
Administrative expenses		
Rent	1,521,444	890,417
Service charge	126,166	79,028
Rates and water	277,243	198,337
Light and heat	23,238	20,774
Insurance	266,616	197,382
Repairs and maintenance (allowable)	9,774	4,998
Cleaning costs	46,746	41,625
Other establishment expenses	28,628	1,541
Travel and subsistence	622,883	453,706
Overseas travel	327,812	170,146
Hire costs (non-operating leases)	19,409	18,485
Telephone	173,536	158,230
Administrative support services	208,606	57,671
Computer expenses	423,093	370,836
Information systems	208,692	183,930
Equipment repairs and renewals	5,418	22,491
Printing postage and stationery	137,413	121,257
Staff training	66,985	38,467
Staff welfare	34,111	23,593
Recruitment expenses	187,460	171,133
Other staff related expenses - type 2	54,048	16,409
Sundry expenses	33,057	56,460
Charitable donations (allowable)	14,146	9,040
Charitable donations (disallowable)	8,287	5,113
Subscriptions	192,373	85,314
Irrecoverable input VAT	316,991	278,032
Advertising	20,987	14,695
Entertaining	247,838	191,428
Legal and professional fees (allowable)	1,531,907	1,382,074
Other professional fees	79,677	25,690
Accountancy fees	248,537	141,002
Auditors remuneration	117,323	97,989
Amortisation of intangible assets	6,096,135	5,540,989
Depreciation of tangible assets	118,980	98,145
(Gain)/loss on disposal of tangible assets	961	–
(Gain)/loss on disposal of participating interests	–	50
Bad debts written off	6,016	155,289
Financial costs - Whitebridge hospitality write off	–	(48,925)
Financial costs - SEQ Compensation payment	146,982	160,344
Financial costs - other bad debt write off	–	101,800
Aborted deal costs	52,937	–
Bank charges	28,404	23,248
Foreign currency gains/losses	727,408	463,131
	<u>14,758,267</u>	<u>12,021,364</u>

LJ GP Partnership Limited

Notes to the Consolidated Detailed Income Statement *(continued)*

Year ended 31 December 2016

	2016 £	2015 £
Other operating income		
(Gain)/loss on disposal of other investments	<u>187,937</u>	<u>538,592</u>
Share of profit of associates		
Share of profit/(loss) of associates - equity method	<u>510,649</u>	<u>662,779</u>
Share of profit of joint ventures		
Share of profit/(loss) of joint ventures - equity method	<u>426,835</u>	<u>436,545</u>
Income from other fixed asset investments		
Income from other fixed asset investments	<u>1,665,757</u>	<u>412,961</u>
Interest receivable		
Interest on cash and cash equivalents	1,425	281
Interest on loans and receivables	19,421	36,765
Interest on loans and receivables from directors	80,201	–
Gain on financial instruments	275,956	219,003
Interest receivable on mezz financing arrangements	96,756	504,468
Interest receivable from participating interests	4,010	10,308
	<u>477,769</u>	<u>770,825</u>
Interest payable		
Bank loan interest (Non statutory disclosure)	6,933	3,578
Other interest payable and similar charges	2,916,226	1,756,846
Interest payable on mezz financing arrangements	44,235	297,870
	<u>2,967,394</u>	<u>2,058,294</u>