

COMPANY REGISTRATION NUMBER: 09111421

LJ GP Partnership Limited
Financial Statements
31 December 2017

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LJ GP Partnership Limited

Financial Statements

Year ended 31 December 2017

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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 T Yeung

Company secretary

G Hardcastle

Registered office

9 Clifford Street
London
England
W1S2FT

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 2017

The directors present their strategic report for the group for the year ended 31 December 2017.

Principal Activity

The principal activities of the group are that of the following three core services:

- a) Sourcing alternative investment and providing advisory and brokerage services in relation to such transactions.
- 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 client and providing family office and concierge services.

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 put together the appropriate corporate structure and governance to allow the business to grow and achieve advantageous synergies. The Group continues to grow both organically and consider strategic acquisitions. The intention is to continue this trajectory in future years.

The consolidated results show total revenues of £33m (2016 £26m). After exceptional items including refinancing & restructuring costs, employee share scheme tax payments and equity share based payments, the group can report an adjusted EBITDA of £6.5m (2016 £6m).

Consolidated results after tax were a loss of £4.7m, compared to £6.5m a year earlier.

Closing net assets are £39m, compared to £45m a year earlier.

Principal risks and uncertainties

- 1) The group 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 pressure and the risk of losing key clients to competitors. The directors monitor this risk through maintaining excellent client service and relationships, across multiple partners within the business.
- 3) The nature of the group's 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 through group wide procedures, led by a group compliance team.

LJ GP Partnership Limited

Strategic Report *(continued)*

Year ended 31 December 2017

This report was approved by the board of directors on 17 May 2018 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

Directors' Report

Year ended 31 December 2017

The directors present their report and the financial statements of the group for the year ended 31 December 2017.

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 T Yeung
Mr A Manieu

(Retired 25 May 2017)

Dividends

The directors do not recommend the payment of a dividend (2016: none).

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.

Going concern

During 2017 it was agreed, subject to regulatory approval in appropriate jurisdictions where the group has regulatory licences, through a primary share issue, to bring in a new strategic shareholder to assist in the continued growth of the business. The transaction was approved between the parties in August 2017 and regulatory approval has now been received in Hong Kong, UK and Isle of Man. Final approval is awaited from authorities in Portugal and is expected imminently. Once completion occurs, proceeds from the new share issue will be used to retire all current outstanding debt facilities (Rich Shanghai and shareholder convertible loan). For prudence, both of these facilities have been extended a further six months whilst awaiting final approval. Excess cash from the transaction, after debt retirement, will be used for normal working capital purposes.

For this reason, the directors feel it is appropriate to continue preparing the financial statements as a going concern.

LJ GP Partnership Limited

Directors' Report *(continued)*

Year ended 31 December 2017

Financial instruments

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 sales are made.

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 34 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 2017

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.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 17 May 2018 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 2017

Opinion

We have audited the financial statements of LJ GP Partnership Limited ("the parent company") and its subsidiaries ("the group") for the year ended 31 December 2017 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, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

LJ GP Partnership Limited

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

Year ended 31 December 2017

Other information

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

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

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent 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 in relation to which 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.

LJ GP Partnership Limited

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

Year ended 31 December 2017

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Mr Neil Griggs (Senior Statutory Auditor)

For and on behalf of
BDO LLP, statutory auditor
55 Baker Street
London
UK
W1U 7EU

18 May 2018

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 2017

	Note	2017 £	2016 £
Turnover	4	33,145,653	26,105,147
Cost of sales		23,243,663	18,072,515
Gross profit		9,901,990	8,032,631
Administrative expenses		8,651,781	8,662,132
(Gain)/loss on disposal and restructuring of interests in joint ventures		(1,427,754)	–
Amortisation of intangible assets		5,122,678	6,096,135
(Gain)/loss on disposal of other investments		–	(187,937)
Operating loss	5	(2,444,715)	(6,537,699)
Share of profit of associates	16	180,157	510,649
Share of (loss)/profit of joint ventures	16	(375,897)	426,835
Income from other fixed asset investments	9	249,985	1,665,757
Interest receivable	10	276,584	477,769
Amounts written off investments	11	30,429	–
Interest payable	12	(2,844,706)	(2,967,394)
Loss before taxation		(4,989,021)	(6,424,083)
Taxation on ordinary activities	13	310,807	(46,554)
Loss for the financial year		(4,678,214)	(6,470,637)
Share of other comprehensive income of joint ventures		(29,454)	(116,978)
Foreign currency retranslation		(1,336,670)	4,175,310
Other comprehensive income for the year		(1,366,124)	4,058,332
Total comprehensive income for the year		(6,044,338)	(2,412,305)
Loss for the financial year attributable to:			
The owners of the parent company		(4,887,166)	(6,628,895)
Non-controlling interests		208,952	158,258
		(4,678,214)	(6,470,637)
Total comprehensive income for the year attributable to:			
The owners of the parent company		(6,253,789)	(2,570,839)
Non-controlling interests		209,451	158,534
		(6,044,338)	(2,412,305)

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 *(continued)*

31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	14	38,341,597	44,873,292
Tangible assets	15	267,794	301,393
Investments:	16		
Investments in associates		3,398,945	4,127,542
Investments in joint-ventures		13,511,062	13,706,268
Other fixed asset investments		84,073	104,745
		<u>55,603,471</u>	<u>63,113,240</u>
Current assets			
Debtors	17	19,334,086	14,018,924
Investments	18	3,012	2,925
Cash at bank and in hand		6,255,890	4,493,400
		<u>25,592,988</u>	<u>18,515,249</u>
Creditors: amounts falling due within one year	19	<u>41,127,582</u>	<u>35,397,797</u>
Net current liabilities		<u>15,534,594</u>	<u>16,882,548</u>
Total assets less current liabilities		<u>40,068,877</u>	<u>46,230,692</u>
Creditors: amounts falling due after more than one year	20	569,335	778,944
Provisions			
Taxation including deferred tax	21	2,510	4,477
Other provisions	21	442,730	334,355
		<u>445,240</u>	<u>338,832</u>
Net assets		<u>39,054,302</u>	<u>45,112,916</u>
Capital and reserves			
Called up share capital	26	3,886	3,886
Share premium account	27	53,829,286	53,829,286
Reserve for own shares	27	(507,748)	(507,748)
Profit and loss account	27	(14,118,934)	(8,104,956)
Equity attributable to the owners of the parent company		<u>39,206,490</u>	<u>45,220,468</u>
Non-controlling interests		<u>(152,188)</u>	<u>(107,552)</u>
		<u>39,054,302</u>	<u>45,112,916</u>

These financial statements were approved by the board of directors and authorised for issue on 17 May 2018, and are signed on behalf of the board by:


Mr E P 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 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	16	50,984,930	50,861,248
Current assets			
Debtors	17	22,552,326	27,075,726
Cash at bank and in hand		32,179	688,502
		<u>22,584,505</u>	<u>27,764,228</u>
Creditors: amounts falling due within one year	19	<u>31,592,370</u>	<u>30,427,606</u>
Net current liabilities		<u>9,007,865</u>	<u>2,663,378</u>
Total assets less current liabilities		<u>41,977,065</u>	<u>48,197,870</u>
Net assets		<u>41,977,065</u>	<u>48,197,870</u>
Capital and reserves			
Called up share capital	26	3,886	3,886
Share premium account	27	53,829,286	53,829,286
Reserve for own shares	27	(507,748)	(507,748)
Profit and loss account	27	(11,348,359)	(5,127,554)
Shareholders funds		<u>41,977,065</u>	<u>48,197,870</u>

The loss for the financial year of the parent company was £6,460,616 (2016: £3,101,276).

These financial statements were approved by the board of directors and authorised for issue on 17 May 2018 and are signed on behalf of the board by:


Mr. E. P. 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 2017

	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 retranslation	-	-	-	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	3,886	53,829,286	(507,748)	(8,104,956)	45,220,468	(107,552)	45,112,916

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 2017

	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 £
As 1 January 2017	3,886	53,829,286	(507,748)	(8,104,956)	45,220,468	(107,552)	45,112,916
Loss for the year				(4,887,166)	(4,887,166)	208,952	(4,678,214)
Other comprehensive income for the year:							
Share of other comprehensive income of joint ventures	—	—	—	(29,454)	(29,454)	—	(29,454)
Foreign currency retranslation	—	—	—	(1,337,169)	(1,337,169)	499	(1,336,670)
Total comprehensive income for the year	—	—	—	(6,253,789)	(6,253,789)	209,451	(6,044,338)
Issue of convertible debt	—	—	—	94,557	94,557	—	94,557
Equity-settled share-based payments	—	—	—	145,254	145,254	—	145,254
Distributions to other members in LLP controlled by the group	—	—	—	—	—	(254,087)	(254,087)
Total investments by and distributions to owners	—	—	—	239,811	239,811	(254,087)	(14,276)
At 31 December 2017	<u>3,886</u>	<u>53,829,286</u>	<u>(507,748)</u>	<u>(14,118,934)</u>	<u>39,206,490</u>	<u>(152,188)</u>	<u>39,054,302</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 2017

	Called up share capital £	Share premium account £	Reserve for own shares £	Profit and loss account £	Total £
At 1 January 2016	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	3,886	53,829,286	(507,748)	(5,127,554)	48,197,870
Loss for the year	—	—	—	(6,460,616)	(6,460,616)
Total comprehensive income for the year	—	—	—	(6,460,616)	(6,460,616)
Issue of convertible debt	—	—	—	94,557	94,557
Equity-settled share-based payments	—	—	—	145,254	145,254
Total investments by and distributions to owners	—	—	—	239,811	239,811
At 31 December 2017	<u>3,886</u>	<u>53,829,286</u>	<u>(507,748)</u>	<u>(11,348,359)</u>	<u>41,977,065</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 2017

	2017 £	2016 £
Cash flows from operating activities		
Loss for the financial year	(4,678,214)	(6,470,637)
<i>Adjustments for:</i>		
Depreciation of tangible assets	104,207	118,980
Amortisation of intangible assets	5,122,678	6,096,135
Amounts written off investments	30,429	–
Share of profit of associates	(180,157)	(510,649)
Share of (loss)/profit of joint ventures	375,897	(426,835)
Income from other fixed asset investments	(249,985)	(1,665,657)
Interest receivable	(276,584)	(477,769)
Interest payable	2,844,706	2,967,394
Loss on disposal of tangible assets	–	940
Equity-settled share-based payments	145,254	254,870
Unrealised foreign currency (gains)/loss	(132,888)	551,548
Taxation on ordinary activities	(310,807)	46,554
(Gain)/loss on disposal of other investments	–	(187,937)
(Gain)/loss on disposal and restructuring of interests in joint ventures	(1,427,754)	–
<i>Changes in:</i>		
Trade and other debtors	(5,826,871)	1,558,495
Trade and other creditors	5,381,587	(158,465)
Provisions and employee benefits	51,288	165,648
Cash generated from operations	972,786	1,862,615
Tax paid	(32,699)	(81,488)
Net cash from operating activities	<u>940,087</u>	<u>1,781,127</u>
Cash flows from investing activities		
Purchase of tangible assets	(74,097)	(153,531)
Proceeds from sale of tangible assets	–	1,551
Purchase of intangible assets	(52,395)	–
Cash advances and loans granted	(204,000)	(2,142,492)
Cash receipts from the repayment of advances and loans	1,125,604	1,960,633
Acquisition of subsidiaries, net of cash acquired	151,908	(2,979,426)
Acquisition of interests in associates and joint ventures	(10,151)	(8,917,869)
Proceeds from sale of interests in associates and joint ventures	1,388,747	–
Purchases of other investments	(8,869)	(66,840)
Proceeds from sale of other investments	–	187,937
Purchase of futures contracts, forward contracts, option contracts and swap contracts	–	(83,179)
Dividends received	1,332,315	3,086,005
Interest received	24,525	252,430
Deferred consideration paid on acquisition	(420,238)	(283,568)
Net cash from/(used in) investing activities	<u>3,253,349</u>	<u>(9,138,349)</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 2017

	Note	2017 £	2016 £
Cash flows from financing activities			
Proceeds from issue of ordinary shares		–	692
Proceeds from borrowings		442,675	27,721,898
Repayments of borrowings		–	(19,524,702)
Proceeds from loans from participating interests		300,000	–
Interest paid		(2,834,400)	(2,440,630)
Distribution of profits to minority interests in LLP		(254,087)	(227,206)
Net cash (used in)/from financing activities		<u>(2,345,812)</u>	<u>5,530,052</u>
 Net increase/(decrease) in cash and cash equivalents		 1,847,624	 (1,827,170)
Cash and cash equivalents at beginning of year		4,493,400	6,079,730
Exchange (losses)/gains on cash and cash equivalents		(85,134)	240,840
Cash and cash equivalents at end of year		<u>6,255,890</u>	<u>4,493,400</u>

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

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

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 3.

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.

Going concern

During 2017 it was agreed, subject to regulatory approval in appropriate jurisdictions where the group has regulatory licences, through a primary share issue, to bring in a new strategic shareholder to assist in the continued growth of the business. The transaction was approved between the parties in August 2017 and regulatory approval has now been received in Hong Kong, UK and Isle of Man. Final approval is awaited from authorities in Portugal and is expected imminently. Once completion occurs, proceeds from the new share issue will be used to retire all current outstanding debt facilities (Rich Shanghai and shareholder convertible loan). For prudence, both of these facilities have been extended a further six months whilst awaiting final approval. Excess cash from the transaction, after debt retirement, will be used for normal working capital purposes. For this reason, the directors feel it is appropriate to continue preparing the financial statements on the basis the group is a going concern.

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.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Long term incentive scheme

Directors and key management of this company were invited to subscribe for new shares in the parent company during 2015. 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.

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 2017.

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 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.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

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.

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 Toft 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 (except LJ Capital (Woody) Limited). 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 until 31 January the group held 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.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

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. Until 31 January 2017 the group did not therefore control LJ Capital (HPGL) Limited and it was not accounted for as a subsidiary.

The group did 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 up to 31 January 2017 equity accounted in note 16.

On 31 January 2017 the group entered into an SPA to acquire the remaining B shares of LJ Capital (HPGL) Limited. Control was treated as passing to the group at this point. The carrying value of the groups investment in associates at this point was treated as part of the purchase consideration. The results of the company were consolidated from 31 January 2017 onwards.

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.

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

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

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.

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.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Any agent fees are booked as income when they are invoiced.

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 2017

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 2017

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
Start-up costs	-	10 years straight line
Brands and licences	-	Between 2 and 10 years straight line
Customer list	-	10 years straight line
Negative goodwill	-	In the periods in which the non-monetary assets acquired are recovered

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 2017

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 2017

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 2017

3. Accounting policies *(continued)*

Share-based payments

During 2015, 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 2017

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:

	2017 £	2016 £
Rendering of services	<u>33,145,653</u>	<u>26,105,147</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:

	2017 £	2016 £
United Kingdom	18,155,149	13,375,841
Switzerland	7,298,677	7,818,224
Portugal	459,296	254,261
USA	3,267,313	2,478,582
Hong Kong	3,603,124	1,932,168
Spain	362,094	246,071
	<u>33,145,653</u>	<u>26,105,147</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

5. Operating profit

Operating profit or loss is stated after charging:

	2017	2016
	£	£
Depreciation of tangible assets	104,207	118,980
Amortisation of intangible assets	5,122,678	6,096,135
Loss on disposal of tangible assets	–	961
Impairment of trade debtors	85,000	6,016
Equity-settled share-based payments expense	145,254	254,870
Foreign exchange differences	(53,143)	727,408
Payments made under operating leases	<u>1,567,170</u>	<u>1,328,455</u>

6. Auditor's remuneration

	2017	2016
	£	£
Fees payable for the audit of the financial statements	<u>31,000</u>	<u>31,000</u>
Fees payable to the company's auditor and its associates for other services:		
Audit of the financial statements of subsidiaries	190,973	182,880
Audit-related assurance services	10,545	11,521
Taxation compliance services	–	3,101
Other assurance services	60,000	3,747
Other non-audit services	<u>2,965</u>	<u>–</u>
	<u>264,483</u>	<u>201,249</u>

7. Particulars of employees

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

	2017	2016
	No.	No.
Administrative staff	122	105
Management staff	<u>21</u>	<u>25</u>
	<u>143</u>	<u>130</u>

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

	2017	2016
	£	£
Wages and salaries	14,110,850	11,536,872
Social security costs	831,071	735,535
Other pension costs	<u>236,011</u>	<u>235,895</u>
	<u>15,177,932</u>	<u>12,508,302</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2017	2016
	£	£
Remuneration	4,641,621	4,729,832
Company contributions to defined contribution pension plans	13,630	53,472
Sums paid to third parties in respect of directors' services	<u>1,739,369</u>	<u>1,860,151</u>
	<u>6,394,620</u>	<u>6,643,455</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

8. Directors' remuneration *(continued)*

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

	2017 No.	2016 No.
Defined contribution plans	<u>1</u>	<u>4</u>

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

	2017 £	2016 £
Aggregate remuneration	1,580,530	1,494,225
Company contributions to defined contribution pension plans	<u>—</u>	<u>7,165</u>
	<u>1,580,530</u>	<u>1,501,390</u>

9. Income from other fixed asset investments

	2017 £	2016 £
Income from other fixed asset investments	<u>249,985</u>	<u>1,665,757</u>

10. Interest receivable

	2017 £	2016 £
Interest on loans and receivables	123,482	99,622
Interest on cash and cash equivalents	5,051	1,425
Interest receivable on mezz financing arrangements	144,065	96,756
Interest receivable from participating interests	3,989	4,010
Gain on financial instruments	(3)	275,956
	<u>276,584</u>	<u>477,769</u>

The total gain recognised in respect of financial assets measured at fair value through profit or loss is £nil (2016 - £275,956).

The total income recognised in respect of financial assets measured at amortised cost is £276,584 (2016 - £201,813).

The total interest income in respect of financial assets which are not measured at fair value through profit or loss is £276,584 (2016 - £201,813).

11. Amounts written off investments

	2017 £	2016 £
Impairment of other fixed asset investments	<u>30,429</u>	<u>—</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

12. Interest payable

	2017 £	2016 £
Interest on banks loans and overdrafts	–	6,933
Unwinding of discount on provisions	14,342	–
Interest payable on mezz financing arrangements	–	44,235
Other interest payable and similar charges	2,830,364	2,916,226
	<u>2,844,706</u>	<u>2,967,394</u>

The total expense recognised in relation to financial liabilities measured at amortised cost is £2,844,706 (2016 - £2,967,394).

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 £2,844,706 (2016 - £2,967,394).

13. Taxation on ordinary activities

Major components of tax (income)/expense

	2017 £	2016 £
Foreign current tax expense	141,185	26,321
Deferred tax:		
Origination and reversal of timing differences	57,383	20,233
Impact of change in tax rate	55,899	–
Recognition of prior period timing differences	(565,274)	–
Total deferred tax	<u>(451,992)</u>	<u>20,233</u>
Taxation on ordinary activities	<u>(310,807)</u>	<u>46,554</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

13. Taxation on ordinary activities *(continued)*

Reconciliation of tax (income)/expense

The tax assessed on the loss on ordinary activities for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

	2017 £	2016 £
Loss on ordinary activities before taxation	(4,989,021)	(6,424,083)
Loss on ordinary activities by rate of tax	(960,387)	(1,284,816)
Adjustment to tax charge in respect of prior periods	(565,274)	–
Effect of expenses not deductible for tax purposes	381,808	164,366
Movement of deferred tax – recognised and unrecognised	142,957	776,227
Effect of revenue exempt from tax	(72,096)	(333,311)
Effect of different tax rates on overseas earnings	(194,487)	(238,959)
Adjustment to tax charge in respect of chargeable gains	62,898	–
Amortisation arising on consolidation	950,779	1,183,228
Minority interest in LLP not taxable in group	(47,862)	(45,242)
Effect of change in US tax rates	55,899	–
Specific tax allowance in US subsidiary	(99,197)	(166,694)
Income from associates and JV's not taxable in group	34,155	(8,245)
Tax on loss	<u>(310,807)</u>	<u>46,554</u>

During the year, legislation was announced reducing the main rate of USA corporation tax from 34% to 21% from 1 January 2018. The groups USA deferred tax assets at 31 December 2017 have been adjusted accordingly.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

14. Intangible assets

Group	Goodwill £	Start-up costs £	Patents, trademarks and licences £	Client lists £	Negative goodwill £	Total £
Cost						
At 1 Jan 2017	38,852,097	–	10,071,531	7,586,788	–	56,510,416
Additions	–	52,395	–	–	(397,490)	(345,095)
Translation gains/(losses)	(736,561)	–	(114,035)	(213,491)	–	(1,064,087)
At 31 Dec 2017	38,115,536	52,395	9,957,496	7,373,297	(397,490)	55,101,234
Amortisation						
At 1 Jan 2017	7,080,800	–	3,142,424	1,413,900	–	11,637,124
Charge for the year	3,886,399	3,565	867,004	763,200	(397,490)	5,122,678
Translation (gains)/losses	–	(165)	–	–	–	(165)
At 31 Dec 2017	10,967,199	3,400	4,009,428	2,177,100	(397,490)	16,759,637
Carrying amount						
At 31 Dec 2017	27,148,337	48,995	5,948,068	5,196,197	–	38,341,597
At 31 Dec 2016	31,771,297	–	6,929,107	6,172,888	–	44,873,292

The company has no intangible assets.

During the year negative goodwill of £397,490 arose on the acquisition of LJ Capital (HPGL) Limited. The total value of the negative goodwill was recognised in the income statement during the year.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

15. Tangible assets

Group	Land and buildings £	Fixtures and fittings £	Equipment £	Total £
Cost or valuation				
At 1 January 2017	131,067	258,601	992,382	1,382,050
Additions	2,065	5,706	66,326	74,097
Disposals	—	—	(19,978)	(19,978)
Translation gains/(losses)	(10,884)	(5,388)	(27,868)	(44,140)
At 31 December 2017	122,248	258,919	1,010,862	1,392,029
Depreciation				
At 1 January 2017	105,127	159,879	815,652	1,080,658
Charge for the year	4,322	25,599	74,286	104,207
Disposals	—	—	(19,978)	(19,978)
Translation (gains)/losses	(10,100)	(4,566)	(25,986)	(40,652)
At 31 December 2017	99,349	180,912	843,974	1,124,235
Carrying amount				
At 31 December 2017	22,899	78,007	166,888	267,794
At 31 December 2016	25,940	98,722	176,730	301,392

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 2017	4,127,542	13,706,268	21,484	83,261	17,938,555
Additions	25,046	2,311,483	888	8,869	2,346,286
Disposals	—	39,008	—	—	39,008
Transfers	(281,341)	—	—	—	(281,341)
Share of profit or loss	226,663	(375,897)	—	—	(149,234)
Dividends received	(700,853)	(2,156,298)	—	—	(2,857,151)
Movements in equity	—	(29,454)	—	—	(29,454)
Gains/(losses) on translation	1,888	15,952	—	—	17,840
At 31 December 2017	3,398,945	13,511,062	22,372	92,130	17,024,509
Impairment					
At 1 January 2017	—	—	—	—	—
Impairment losses	—	—	—	30,429	30,429
At 31 December 2017	—	—	—	30,429	30,429
Carrying amount					
At 31 December 2017	3,398,945	13,511,062	22,372	61,701	16,994,080
At 31 December 2016	4,127,542	13,706,268	21,484	83,261	17,938,555

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

Company	Shares in group undertakings £	Loans to group undertakings £	Shares in participating interests £	Other investments other than loans £	Total £
Cost					
At 1 January 2017	42,111,222	299,692	8,750,000	23	51,160,937
Additions	123,684	–	1	–	123,685
Transfers	–	64,223	–	–	64,223
At 31 December 2017	42,234,906	363,915	8,750,001	23	51,348,845
Impairment					
At 1 January 2017	–	299,692	–	–	299,692
Impairment losses	–	64,223	–	–	64,223
At 31 December 2017	–	363,915	–	–	363,915
Carrying amount					
At 31 December 2017	42,234,906	–	8,750,001	23	50,984,930
At 31 December 2016	42,111,222	–	8,750,000	23	50,861,245

The share of profit or loss from associates and joint ventures includes amortisation relating to the acquisition of those associates and joint ventures totalling £295,458 and £1,905,994 respectively.

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	75
		Ordinary*	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) Limited	Hong Kong	Ordinary	100
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 Capital (IOM) Limited*	Isle of Man	Ordinary	100

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

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 Investment 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	Ordinary A	
LJ Capital (HPGL) Limited*	Kingdom	and B	100
Puffin Agencies Limited*	Gibraltar	Ordinary	100
Clambake Limited*	British Virgin Islands	Ordinary	100
	Marshall		
Clambake Inc.*	Islands	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
	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
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
	Cayman		
CF I Feeder GP Limited*	Islands	Ordinary	100
	Cayman		
KF I Feeder GP Limited*	Islands	Ordinary	100
LJ Ardstone Spain S.L.*	Spain	Ordinary	70
LJ Cresco Holdco Limited*	Isle of Man	Ordinary	100

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

LJ Directors (UK) Limited*	United Kingdom	Ordinary	100
LJ Management Nominees (UK) Limited*	United Kingdom	Ordinary Partnership interest	100
LJ UK Cities Carry LP Inc.*	Isle of Man	Ordinary	65
LJ UK Cities GP Limited*	Isle of Man	Ordinary	65
LJ UK Cities Carry GP Limited*	Isle of Man	Ordinary	65
Saltash Properties Limited*	Isle of Man	Ordinary	100
LJ Capital (DI) Limited	United Kingdom	Ordinary	100
LJ Cresco GP Holdings Limited*	Isle of Man	Ordinary	100
LJ Capital (IOM) T4 Limited*	Isle of Man	Ordinary	100
Loire Services Limited*	Isle of Man	Ordinary	100
LJ Capital Holdings Limited*	Isle of Man	Ordinary	100
Southwood Limited*	Isle of Man	Ordinary	100
Mooragh (BVI) Limited*	British Virgin Islands	Ordinary	100
Whitebridge (BVI) Limited*	British Virgin Islands	Ordinary	100
LJ Skye 2 (PTC) Limited*	British Virgin Islands	Ordinary	100
LJ Skye 3 (PTC) Limited*	British Virgin Islands	Ordinary	100
Ecne Holdings Limited*	Turks and Caicos	Ordinary	100
Other significant holdings (refer to note 3 for accounting treatment)			
LJ Capital (Woody) Limited*	United Kingdom	A Shares	80
		B Shares	16
LJ Capital (RL) Limited*	British Virgin Islands	A Shares	100
		Ordinary shares	100
LJ London Holdings Limited	Isle of Man	A Shares	100
LJ Maple Limited*	Guernsey	A Shares	100
LJ Greenwich Sarl*	Luxembourg	A Shares	0.19
		B Shares	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 GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

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*	British Virgin Islands	A Shares	100
PMD Finance Sarl	Luxembourg	A Shares	60

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
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	33.33
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	33.33
Queensgate Bow GP LLP	United Kingdom	LLP interest	16.67
Queensgate Investments II AIV LLP	United Kingdom	LLP Interest	16.67

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	33.33
Cresco Capital Advisors LLP*	United Kingdom	LLP Interest	33.33

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

Cresco Capital Group Fund I GP Limited*	Guernsey	Ordinary	33.33
Cresco Immobilien Verwaltungs GmbH	Germany	Ordinary	33.33
	United		
Osprey Aldgate Advisors Limited*	Kingdom	Ordinary	50
	British Virgin		
Kuno Investments Limited*	Islands	Ordinary	49.9
	United		
Lxi Reit Advisors Limited*	Kingdom	Ordinary	40
LJ Partnership (NZ) Limited*	New Zealand	Ordinary	50
Cresco Capital Urban Yurt Holdings 2 Sarl*	Luxembourg	Ordinary	33.33
HPGL Holdings Limited*	Hong Kong	Ordinary	50
	United		
Hadley Property Group Holdings Limited*	Kingdom	Ordinary	35
LJ Management (Mauritius) Limited*	Mauritius	Ordinary	50

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	
	2017	2016	2017	2016
	£	£	£	£
Other significant holdings				
LJ Capital (Woody) Limited*	19,528	(50,738)	70,266	(857)
LJ Capital (RL) Limited*	5,716	8,774	(3,058)	(2,364)
LJ London Holdings Limited	(7,204)	(1,568)	(5,636)	(531,420)
LJ Maple Limited*	144,521	171,370	(26,849)	934,729
LJ Greenwich Sarl*	(27,295)	27,933	(51,391)	(11,196)
LJ Maple Chelsea Limited*	225,894	239,410	(13,516)	348,226
LJ Maple Hamlet Limited*	(152,224)	(185,523)	33,299	(51,560)
LJ Maple Circus Limited*	(180,060)	(181,016)	956	(63,594)
LJ Maple Belgravia*	(1,327)	5,886	(7,213)	(18,930)
LJ Maple Tofty Limited*	(114,198)	(93,406)	(20,792)	(20,365)
LJ Maple St Johns Wood Limited*	(99,668)	(76,696)	(22,972)	(14,798)
LJ Maple Kew Limited*	(5,069)	2,352	(7,422)	688,652
LJ Maple Kensington Limited	(50,835)	(40,569)	(10,286)	(8,270)
LJ Maple Hill Limited*	(176,680)	(185,838)	9,159	(54,192)
LJ Maple Nine Elms Limited*	(18,476)	(20,139)	1,664	(18,067)
LJ Maple Duke Limited*	(467,584)	(135,811)	(331,778)	(131,880)
LJ Maple Abbey Limited*	(113,022)	(89,171)	(23,851)	(83,995)
LJ T4 GP Limited*	23,106,138	16,861,461	707,342	450,746
LJ Green Lanes Holdings Limited*	18,350	11,366,360	26,374	(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 2017

17. Debtors

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	3,092,943	2,785,950	–	–
Amounts owed by group undertakings	–	–	19,356,704	24,192,098
Amounts owed by undertakings in which the company has a participating interest	626,902	541,192	–	–
Deferred tax asset	672,950	237,404	–	–
Prepayments and accrued income	10,531,960	5,438,195	140,625	131,204
Corporation tax repayable	5,368	10,825	–	–
Directors loan account	2,638,555	2,526,855	2,624,910	2,526,855
Other debtors	1,765,408	2,478,503	430,087	225,569
	<u>19,334,086</u>	<u>14,018,924</u>	<u>22,552,326</u>	<u>27,075,726</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	
	2017	2016	2017	2016
	£	£	£	£
Other investments	<u>3,012</u>	<u>2,925</u>	<u>–</u>	<u>–</u>

19. Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Convertible 6% loan note	5,089,355	4,722,625	5,089,355	4,722,625
Short term borrowings and overdrafts	23,908,966	23,466,291	23,466,291	23,466,291
Deferred consideration payable on acquisition	309,147	405,147	–	–
Trade creditors	1,507,269	1,037,689	362,383	–
Amounts owed to group undertakings	–	–	2,098,682	1,638,908
Amounts owed to undertakings in which the company has a participating interest	479,681	272,145	5,625	25,425
Accruals and deferred income	8,343,457	4,205,662	566,634	24,549
Corporation tax	114,066	5,131	–	–
Social security and other taxes	172,663	295,999	–	–
Loan interest payable	–	546,861	–	546,408
Other creditors	1,202,978	440,247	3,400	3,400
	<u>41,127,582</u>	<u>35,397,797</u>	<u>31,592,370</u>	<u>30,427,606</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

and are repayable on demand.

Convertible debt

The convertible loan notes were originally issued on 12 December 2016 and had a maturity date of 30 September 2017. On 30 September 2017, the maturity date of the convertible loan note was extended until 6 April 2018, before a subsequent extension until 6 October 2018.

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	Company
	2017	Group 2016	2017	2016
	£	£	£	£
Senior loan	23,466,291	23,466,291	23,466,291	23,466,291
Unsecured management loan facilities	442,675	–	–	–
Total	<u>23,908,966</u>	<u>23,466,291</u>	<u>23,466,291</u>	<u>23,466,291</u>

The senior loan facility attracts an interest rate of 9.75% per annum and is due for repayment in October 2018. The loan is secured against the shares of the parent company and assets of the group.

The management loan is interest free and unsecured. It was repaid in January 2018.

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Deferred consideration payable on acquisition	535,790	778,944	–	–
Accruals and deferred income	33,545	–	–	–
	<u>569,335</u>	<u>778,944</u>	<u>–</u>	<u>–</u>

The deferred consideration is payable in three instalments from March 2018 through to March 2020. Further details regarding the measurement of this liability are included in note 33 to the financial statements.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

21. Provisions

Group	Onerous contracts £	Deferred tax (note 22) £	Net liabilities of associate £	Total £
At 1 January 2017	165,648	4,477	168,707	338,832
Additions	102,321	—	—	102,321
Charge against provision	(51,033)	(4,718)	—	(55,751)
Transfers	—	3,226	—	3,226
Share of associates (profit)/loss for year	—	—	46,506	46,506
Foreign exchange difference	(3,761)	(475)	—	(4,236)
Unwinding of discount	14,342	—	—	14,342
At 31 December 2017	227,517	2,510	215,213	445,240

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 £46,506 includes amortisation of the goodwill which arose on acquisition totalling £26,755.

Provision for onerous contract - Maidenhead office

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.

To date payments of £51,033 have been charged against the provision and discount of £14,342 has unwound. The closing carrying value of the provision is £128,957.

Provision for onerous contract - Neuchatel office

LJ Management Suisse SA, a wholly owned subsidiary vacated its office in March 2017. The lease on the premises does not expire until October 2019, and the building remains vacant. From June 2018, the vacant property has been partially sublet.

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 remaining vacant portion of the premises are unsuccessful, is £106,318. This has been discounted using the groups cost of capital of 9.75%, giving a net present value of £98,560. 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 2017

22. Deferred tax

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Included in debtors (note 17)	672,950	237,404	-	-
Included in provisions (note 21)	(2,510)	(4,477)	-	-
	<u>670,440</u>	<u>232,927</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Accelerated capital allowances	2,510	4,477	-	-
Unused tax losses	(565,274)	(84,737)	-	-
Accrued expenses not yet tax deductible	(107,676)	(152,667)	-	-
	<u>(670,440)</u>	<u>(232,927)</u>	<u>-</u>	<u>-</u>

The net reversal of deferred tax assets and liabilities in the 12 months following the reporting period is expected to be a reduction in the deferred tax asset by £565,274.

LJ Capital Limited, a wholly owned UK subsidiary, has unused UK corporation tax trading losses of £2,975,126 which would generate a tax saving of £565,274 at the current rate of UK corporation tax. Following an assessment of the subsidiary's trading prospects for 2018, a deferred tax asset of £565,274 has been recognised during the year.

Unrecognised deferred tax

Group

In addition to the above loss, the group also has cumulative UK tax losses of £9,761,455, which if realised at the 2017 UK main corporation tax rate of 19% would generate a tax saving of £1,854,676. Aside from the losses described above, no further 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 cumulative US tax losses relating to two US subsidiaries totalling \$3,290,006, which if realised at the USA 2018 federal corporation tax rate of 21% would generate a tax saving of \$690,901. At the USD:GBP exchange rates as of 31 December 2017, this amounts to an unrecognised deferred tax asset of £511,286. 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 £8,080,374 which if realised at the 2017 main UK corporation tax rate of 19% would generate a tax saving of £1,535,271. 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.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

23. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £236,011 (2016: £235,895).

24. Share-based payments

During 2015, 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 Partnership 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 previous 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.

During 2017, 793 shares held by LJ GP Nominee Limited were granted to thirteen further employees of the group. Full rights to the shares do not pass to the employees until a certain period of service has been completed, which is between 1 and 3 years from the date of the grant.

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Equity-settled share-based payments	<u>145,254</u>	<u>254,869</u>	<u>21,570</u>	<u>1,104</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

24. Share-based payments *(continued)*

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.

Fair value of the equity instruments granted during 2017 was determined with reference to a transaction in the company's ordinary shares in November 2016. It involved an existing shareholder purchasing additional shares equal to 29.9% of the total share capital at a price of £155.26 per share. The investor became the single largest shareholder and as a result continues to have significant influence over the group.

The 2017 shares granted as part of the employee share plan do not benefit from having the same level of influence, being in total only 0.2% of the issued share capital, with the highest amount awarded to a single individual being only 0.03% of the issued share capital. For this reason, the directors have applied a 50% discount to the price paid in the November 2016 transaction described above in estimating the fair value of the equity instruments granted. This resulted in a fair value of £77.63 per share.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

25. Financial instruments

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

Financial assets that are debt instruments measured at amortised cost

	Group	
	2017	2016
	£	£
Trade debtors	3,092,943	2,785,950
Other debtors	1,765,408	2,478,503
Amounts owed by undertakings in which the company has a participating interest	626,902	541,192
Directors loan account	2,638,555	2,526,855
	<u>8,123,808</u>	<u>8,332,500</u>

Financial liabilities measured at amortised cost

	Group	
	2017	2016
	£	£
Trade and other creditors	1,507,269	1,477,936
Short term borrowings, overdrafts and convertible 6% loan note	28,998,321	28,188,916
Deferred consideration payable on acquisition (current and non current)	844,937	1,184,091
Amounts owed to undertakings in which the company has a participating interest	479,681	272,145
Loan interest payable	—	546,861
	<u>31,830,208</u>	<u>31,669,949</u>

26. Called up share capital

Issued, called up and fully paid

	2017		2016	
	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	386,455	3,865	386,455	3,865
	<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 2017

26. 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.

27. 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 2017, a total of 10,495 shares were held by LJ GP Nominee Limited (2016: 10,495).

Profit and loss account

This reserve records retained earnings and accumulated losses.

28. Minority interests

Group

The movement in minority interests was as follows:

	2017 £	2016 £
Total comprehensive income attributable to minority interests	209,451	158,534
Distributions to minority interests	(254,087)	(207,706)
Issue of shares to minority interest in LJ Ardstone Spain S.L.	-	692
	<u>(44,636)</u>	<u>(48,480)</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

29. Analysis of changes in net debt

	At 1 Jan 2017 £	Cash flows £	Other changes £	At 31 Dec 2017 £
Cash at bank and in hand	4,493,400	1,847,624	(85,134)	6,255,890
Debt due within one year	(28,594,062)	(37,528)	(675,877)	(29,307,467)
Debt due after one year	(778,944)	15,091	228,063	(535,790)
	<u>(24,879,606)</u>	<u>1,824,802</u>	<u>(532,948)</u>	<u>(23,587,367)</u>

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

	2017 £	2016 £
Increase/(decrease) in cash and cash equivalents in the year	1,847,624	(1,827,170)
Proceeds from borrowings	(442,675)	(27,721,898)
Repayments of borrowings	–	19,907,783
Payment of deferred cash consideration	420,238	311,515
Other non-cash movements	(532,948)	(185,837)
Change in net debt	1,292,239	(9,515,607)
Net debt brought forward	(24,879,606)	(15,363,999)
Net debt carried forward	<u>(23,587,367)</u>	<u>(24,879,606)</u>

31. Business combinations

Acquisition of LJ Capital (HPGL) Limited

Prior to 31 January 2017, the group held 100% of the ordinary A shares of LJ Capital (HPGL) Limited and 25.2% of the ordinary B shares of LJ Capital (HPGL) Limited. The control and majority of rights to distributions sit with the ordinary B shares. On 31 January 2017 the group entered a share purchase agreement to acquire the remaining 74.8% of ordinary B shares.

LJ Capital (HPGL) Limited is an investment holding company with an underlying 50% interest in HPGL Holdings Ltd, which itself had a 60% interest in Hadley Property Group Limited, a property development company.

Negative goodwill arose on the acquisition, and was written off to the income statement at the point of the acquisition.

The fair value of consideration paid in relation to the acquisition of LJ Capital (HPGL) Limited is as follows:

	£
Cash	728,751
Carrying value of existing investment in LJ Capital (HPGL) Limited	281,341
	<u>1,010,092</u>

LJ GP Partnership Limited
Notes to the Financial Statements *(continued)*
Year ended 31 December 2017

31. Business combinations *(continued)*

The initial cash payment stipulated by the share purchase agreement was £728,751.

The group had an existing 25.2% interest the ordinary B shares of LJ Capital (HPGL) Limited and its results had been equity accounted as an associate accordingly. The carrying value of the groups investment at the point of acquisition was £281,341. This has been transferred out of the groups investment in associates accordingly and capitalised as part of the acquisition consideration.

The fair value of amounts recognised at the acquisition date in relation to LJ Capital (HPGL) Limited are as follows:

	Fair value £
Investments acquired	2,301,334
Cash and cash equivalents acquired	880,659
Trade creditors assumed	(780)
Other creditors assumed	(1,773,631)
	<u>1,407,582</u>
Goodwill on acquisition	(397,490)
	<u>1,010,092</u>

32. Commitments under operating leases

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Not later than 1 year	933,220	1,163,385	-	-
Later than 1 year and not later than 5 years	1,447,996	1,704,988	-	-
Later than 5 years	805,140	1,150,850	-	-
	<u>3,186,356</u>	<u>4,019,223</u>	<u>-</u>	<u>-</u>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

33. 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 three 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 £948,467 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 £844,937. 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 £1,046,336. Based on the current assumptions, the total expected payments are £1,988,215.

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.

34. Events after the end of the reporting period

During 2017 it was agreed, subject to regulatory approval in appropriate jurisdictions where the group has regulatory licences, through a primary share issue, to bring in a new strategic shareholder to assist in the continued growth of the business. The transaction was approved between the parties in August 2017 and regulatory approval has now been received in Hong Kong, UK and Isle of Man. Final approval is awaited from authorities in Portugal and is expected imminently. Once completion occurs, 198,702 new ordinary shares will be issued at £173.37 per share, providing a further £34.4m of share capital which will be used to retire all debt and provide further working capital for the group.

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

35. Directors' advances, credits and guarantees

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

	2017			
	Balance brought forward	Advances/ (credits) to the directors	Amounts repaid	Balance outstanding
	£	£	£	£
Mr E P Shave	332,870	17,435	—	350,305
Mr A De Meyer	361,137	18,279	—	379,416
Mr A C Williams	332,870	9,981	—	342,851
Mr E Lawson Johnston	332,870	9,981	—	342,851
Mr H Lawson Johnston	332,870	9,981	—	342,851
Mr J Elkington	332,870	17,435	—	350,305
Mr S Shambayati	94,976	2,848	—	97,824
Mr A S Davies	94,976	2,848	—	97,824
Mr C M Hamilton	94,976	2,848	—	97,824
Mr N Beaton	94,976	2,848	—	97,824
Mr C Filmer	121,464	17,216	—	138,680
	<u>2,526,855</u>	<u>111,700</u>	<u>—</u>	<u>2,638,555</u>

	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>

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

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

During 2015 Mr E Lawson Johnston, Mr A C Williams and Mr H Lawson Johnston 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 £9,981 (2016 - £9,702) was released during the year. A balance of £342,851 (2016 - £332,870) is outstanding from each of the above individuals at the balance sheet date.

During 2015 Mr E Shave 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. During the current year, Mr E Shave and Mr J Elkington were each transferred additional shares worth £7,616 by another individual. Mr E Shave and Mr J Elkington assumed the outstanding purchase consideration of £7,616. 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 £327,652. Discount of £10,198 (2016 - £9,702) was released during the year. A balance of £350,305 (2016 - £332,870) is outstanding from each of the above individuals at the balance sheet date.

Separately, Mr J Elkington also loaned the group £nil (2016 - £nil) during the year. The interest rate on the loan was 18% per annum and £nil (2016 - £6,732) accrued during the year. Repayments of £nil (2016 - £170,786) were made during the year. A balance of £nil (2016 - £nil) was outstanding at the year-end in respect of this loan.

During 2015 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. During the current year, Mr A De Meyer was transferred additional shares worth £7,616 by another individual. Mr A De Meyer assumed the outstanding purchase consideration of £7,616. The total 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 £354,786. Discount of £11,046 (2016 - £10,526) was released during the year. A balance of £379,416 (2016 - £361,137) is outstanding at the balance sheet date.

Separately, Mr A De Meyer also loaned the group £nil (2016 - £nil) during the year. The interest rate on the loan is 18% per annum and £nil (2016 - £6,283) accrued during the year. Repayments of £nil (2016 - £161,334) were made during the year. A balance of £nil (2016 - £ nil) was outstanding at the year-end in respect of this loan.

During 2015, 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 £2,848 (2016 - £2,768) was released during the year. A balance of £97,824 (2016 - £94,977) is outstanding at the balance sheet date.

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 £2,848 (2016 - £2,768) was released during the year. A balance of £97,824 (2016 - £94,977) is 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

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

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

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 £2,136 (2016 - £2,076) was released during the year. A balance of £73,368 (2016 - £71,232) is outstanding at the balance sheet date.

Separately, Mr C Filmer had previously been loaned £48,790 by the group. Further loans of £13,645 (2016 - £nil) were made during the year. Interest accrued at 3% per annum, and totalled £1,435 (2016 - £1,439) during the year. A balance of £65,309 (2016 - £50,229) 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 2017

36. Related party transactions

Group

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

	Transaction value		Balance owed by/(owed to)	
	2017 £	2016 £	2017 £	2016 £
Whitebridge Hospitality Ltd - loan advanced/(repayments received)	(40,292)	988,600	303,075	343,367
Whitebridge Hospitality Ltd - interest on loan at 8% p.a.	–	–	71,005	71,005
Whitebridge Hospitality Ltd - administrative expenses recharged	–	7,654	217,266	217,266
Whitebridge Hospitality Ltd - (provisions made)/written back	–	–	(506,884)	(506,884)
LJ Capital (Woody) Ltd - loan advanced/(repaid)	1,000	–	167,500	166,500
LJ Capital (Woody) Ltd - interest on loan	12,821	13,356	88,069	75,248
LJ Group Partnership LLP - rent received	116,400	116,400	–	–
LJ Group Partnership LLP - profit share received	2,176	18,362	–	–
LJ Group Partnership LLP - consultancy expenses payable	(3,101,803)	(3,266,600)	(178,686)	(168,942)
Osprey Equity Partners Ltd - fees payable	–	(13,750)	–	(13,750)
Osprey Equity Partners Ltd - loan payable	(300,000)	–	(300,000)	–
Osprey Equity Partners Ltd - administrative expense recharges	–	817	4,393	7,671
LJ MT LLP - loan advanced/(repayments received)	–	–	–	1,137
Cresco Capital Advisors LLP - Fees and administrative expenses recharged	121,444	61,510	4,945	31,338
Queensgate Investments LLP - administrative expenses recharged	–	(36,002)	–	–
Queensgate Investments LLP - loan creditor	–	–	–	(54,821)
Mr M Farror - loan advanced	(130,593)	3,806	–	130,593
Ms S Rowney - loan advanced	84,717	2,768	179,694	94,977
Queensgate Investments II GP LLP - loan creditor	–	–	(178,149)	(178,149)
Cellar Holdings Limited - Fees charged	13,338	115,935	649	–
Rich Shanghai Limited - £25m loan facility	2,287,992	1,390,342	23,466,291	24,013,152
Cresco Capital Urban Yurt Holdings Sarl – Investment advisory fees receivable	<u>738,746</u>	<u>408,563</u>	<u>140,342</u>	<u>107,144</u>

Other transactions

In addition to the transactions disclosed above, the group also entered the following transactions

LJ GP Partnership Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

with related parties:

During the year the group acquired the remaining 74.8% of ordinary B shares in LJ Capital (HPGL) Limited during the year for a consideration of £725,125. 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.

During the year, the group partially disposed of an investment in Cresco Capital Urban Yurt Holdings Sarl (a company in which the group has a 33.33% interest) realising a profit of £1,384,417. The investment was disposed of to Cresco Capital Urban Yurt Holdings 2 Sarl, a company in which the group also has a 33.33% interest.

During the year, the group also disposed of a 40% investment in Hadley Property Group Limited, realising a profit of £173,230. The investment was disposed of to HPGL Holdings Limited, a company in which the group has a 50% interest.

Description of relationships

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, 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. It also rents office space from the group at £119,400 per annum.

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.

Ms S Rowney and Mr M Farror (until February 2017) are both key management personnel. They were each previously provided with loans to subscribe for shares in the company. A discount charge of 3% p.a. is being released on these balances.

The group is a designated member of Cresco Capital Advisers LLP and Queensgate Investments LLP.

The group 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.

Cresco Capital Urban Yurt Holdings Sarl is a joint venture in which the group has a 33.33% interest. The group has provided investment advisory services to the company during the year.

See note 8 for disclosure of the directors remuneration.

See note 35 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 2017

36. Related party transactions *(continued)*

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 £8,498,826 (2016: £8,272,015).

Company

Other than transactions disclosed above and in notes 8 and 35, the company's other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

37. Controlling party

In the opinion of the directors, the company is not under the control of any single individual or entity.