

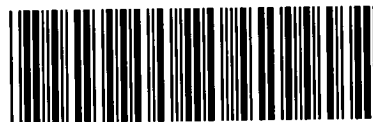
Registration number: OC373321

CEG Investments III LLP

Annual Report and Financial Statements

for the Year Ended 31 December 2018

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CEG Investments III LLP

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CEG Investments III LLP

LLP Information

Designated Members	Veralda AB
	Dooba Properties Limited
	Varenne Fastigheter 2011 AB
	Nunataq AB
	Zimbrane Holding BV
Registered office	Sloane Square House 1 Holbein Place London SW1W 8NS
Auditors	BDO LLP 55 Baker Street London W1U 7EU

CEG Investments III LLP

Members' Report for the Year Ended 31 December 2018

The limited liability partnership ("LLP") members ("Members") present their report together with the audited financial statements for the year ended 31 December 2018.

Results and members' capital

The statement of comprehensive income is set out on page 8 and shows the profit for the year.

The Members do not propose the withdrawal of capital (2017 - £nil).

Income distributions totalling £13,590,645 (2017 - £6,840,027) were payable to Members in respect of the year.

Principal activity

The LLP's principal activity is property investment through the holding of investments in property owning businesses.

Review of business, key performance indicators and future developments

The LLP made a profit after tax of £5,801,428 (2017 - £2,392,598) primarily as a result of a receipt of dividends from ASE Holdings SARL of £13,590,646 (note 6) (2017: £6,840,027) offset by reduction in the value of the LLP's investments of £7,773,122 (2017: £4,434,363).

Following the Referendum held on 23 June 2016, we are operating in a period of increased economic and political uncertainty and is likely to remain so for some time. The triggering of Article 50 in 2017, set a leaving date of 29 March 2019 which was subsequently extended to 12 April 2019 and then 31 October 2019. Whilst we continue to presume that the United Kingdom will leave the European Union, we remain no more certain as to the form and therefore the exact impact that departure will have. As a largely domestically focused business operating in sterling, the Partnership is more exposed to the implications of Brexit on the UK economy than more diverse businesses. As the uncertainty over the leaving date, and the form that leaving the European Union will take persists, the risk of a detrimental affect on the United Kingdom's economy increases, requiring a continued cautious response. We continue to believe that our more regionally focused strategy is well suited to the political and economic climate and whilst Brexit-related headwinds may impact our occupational markets, clarity of the full extent of any departure will not be known for some years. We will continue to monitor and evaluate possible impacts on the Partnership as Brexit becomes a reality, being aware that the uncertainty is likely to generate opportunities for the business.

Designated Members

The following were designated Members, (as defined by the Limited Liability Partnerships Act 2000) during the year:

Veralda AB

Dooba Properties Limited

Varenne Fastigheter 2011 AB

Nunataq AB

Zimbrane Holding BV

CEG Investments III LLP

Members' Report for the Year Ended 31 December 2018 (continued)

Statement of members' responsibilities in respect of the financial statements

The Members are responsible for preparing the Members' report and financial statements in accordance with applicable laws and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008 require the Members to prepare financial statements for each financial period. Under these regulations the Members have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under these regulations the Members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period.

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

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

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

Policies in relation to drawings, capital and profits

The policy for Members' drawings is that they are determined by the Members on a quarterly basis in line with the terms of the Limited Liability Partnership Deed dated 12 June 2012. These drawings are determined by taking into account the need to retain sufficient funds to finance the working capital and other needs of the business. Drawings will only be taken after these requirements have been met.

Individual Members' capital contributions are also determined on a quarterly basis by the members' having regard to the short, medium and long term needs of the business.

Profits of the LLP which are not yet divided among the Members are reflected under 'Other reserves'. These reserves are allocated once all criteria have been met in accordance with the Limited Liability Partnership Deed.

Reappointment of auditors

BDO LLP have expressed their willingness to continue in office.

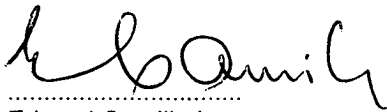
CEG Investments III LLP

Members' Report for the Year Ended 31 December 2018 (continued)

Disclosure of information to auditor

Both of the current Members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the LLP's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Members are not aware of any relevant audit information of which the auditors are unaware.

On behalf of the Members



Edward Camilleri
For Dooba Properties Limited
Designated Member

Date: 13 September 2019

CEG Investments III LLP

Independent Auditor's Report to the Members of CEG Investments III LLP

Opinion

We have audited the financial statements of CEG Investments III LLP (the 'LLP') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Members' Interests, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

CEG Investments III LLP

Independent Auditor's Report to the Members of CEG Investments III LLP (continued)

Matters on which we are required to report by exception

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

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

Responsibilities of members

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

In preparing the financial statements, the Members are responsible for assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the LLP 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.

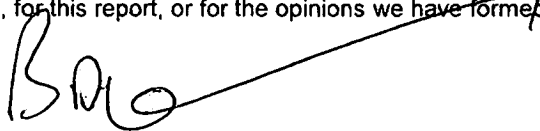
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our auditor's report.

CEG Investments III LLP

Independent Auditor's Report to the Members of CEG Investments III LLP (continued)

Use of our report

This report is made solely to the LLP's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) Application of the Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's Members as a body, for our audit work, for this report, or for the opinions we have formed.



Russell Field (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

55 Baker Street
London
W1U 7EU

Date: 19.9.19

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

CEG Investments III LLP

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Administrative expenses	4	<u>(3,628)</u>	<u>(3,188)</u>
Operating loss	5	(3,628)	(3,188)
Provision against impairment in subsidiaries	8	(7,773,121)	(4,434,363)
Finance income	6	<u>15,137,241</u>	<u>8,386,620</u>
Profit before tax		7,360,492	3,949,069
Taxation	7	<u>-</u>	<u>-</u>
Profit and total comprehensive income for the financial period before members' remuneration		7,360,492	3,949,069
Members' remuneration charged as an expense		(1,559,064)	(1,556,471)
Profit and total comprehensive income for the financial period available for discretionary division among members		<u><u>5,801,428</u></u>	<u><u>2,392,598</u></u>

The above results were derived from continuing operations.

CEG Investments III LLP

Statement of Changes in Members' Interests for the Year Ended 31 December 2018

Year ended 31 December 2018

	Members' Capital £	Revaluation reserve £	Other Reserves £	Total £	Loans and other debts due to members £	Total £
Balance at 1 January 2018	12,941,110	95,331	(88,610)	12,947,831	12,987,636	25,935,467
Distributions to members	-	-	(13,590,645)	(13,590,645)	-	(13,590,645)
Loan advanced from members	-	-	-	-	12,470	12,470
Comprehensive income for the year	-	(7,773,121)	13,574,549	5,801,428	-	5,801,428
Amounts due to members on 31 December 2018	<u>12,941,110</u>	<u>(7,677,790)</u>	<u>(104,706)</u>	<u>5,158,614</u>	<u>13,000,106</u>	<u>18,158,720</u>

	Members' Capital £	Revaluation reserve £	Other Reserves £	Total £	Loans and other debts due to members £	Total £
Balance at 1 January 2017	12,941,110	4,529,694	(75,544)	17,395,260	12,976,556	30,371,816
Distributions to members	-	-	(6,840,027)	(6,840,027)	-	(6,840,027)
Loan advanced from members	-	-	-	-	11,080	11,080
Comprehensive income for the year	-	(4,434,363)	6,826,961	2,392,598	-	2,392,598
Amounts due to members on 31 December 2017	<u>12,941,110</u>	<u>95,331</u>	<u>(88,610)</u>	<u>12,947,831</u>	<u>12,987,636</u>	<u>25,935,467</u>

The notes on pages 12 to 23 form an integral part of these financial statements.

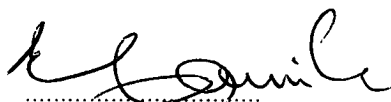
CEG Investments III LLP

(Registration number: OC373321)

Statement of Financial Position as at 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
Assets			
Non-current assets			
Investments in subsidiaries, joint ventures and associates		5,272,013	13,045,134
Trade and other receivables	9	<u>12,888,279</u>	<u>12,888,279</u>
		<u>18,160,292</u>	<u>25,933,413</u>
Current assets			
Trade and other receivables	9	250	1,042
Cash and cash equivalents	11	<u>389,972</u>	<u>1,012</u>
		<u>390,222</u>	<u>2,054</u>
Total assets		<u>18,550,514</u>	<u>25,935,467</u>
Members' Interest and liabilities			
Loans and other debtors due to members		(13,000,106)	(12,987,636)
Members' other interests		<u>(5,158,614)</u>	<u>(12,947,831)</u>
Total members' interests		(18,158,720)	(25,935,467)
Current liabilities			
Trade and other payables	10	<u>(391,794)</u>	<u>-</u>
Total members' interest and liabilities		<u>(18,550,514)</u>	<u>(25,935,467)</u>

The financial statements were approved by the Members and authorised for issue on 13 September 2019



Edward Camilleri
For Dooba Properties Limited
Designated Member

Registered Number OC373321

CEG Investments III LLP

Statement of Cash Flows for the Year Ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Profit for the year		5,801,428	2,392,598
Adjustments to cash flows from non-cash items:			
Change in fair value of investment property		7,773,121	4,434,363
Finance income	6	(15,137,241)	(8,386,620)
Members' remuneration charged as an expense		<u>1,559,064</u>	<u>1,556,471</u>
		(3,628)	(3,188)
Working capital adjustments:			
Decrease/(increase) in trade and other receivables	9	792	(805)
Increase in trade and other payables	10	<u>1,968</u>	<u>-</u>
Net cash flow from operating activities		<u>(868)</u>	<u>(3,993)</u>
Cash flows from investing activities			
Interest received		1,936,421	1,546,593
Dividend income	6	<u>13,590,646</u>	<u>6,840,027</u>
Net cash flows from investing activities		<u>15,527,067</u>	<u>8,386,620</u>
Cash flows from financing activities			
Interest paid		(1,546,594)	(1,545,391)
Dividends paid		<u>(13,590,645)</u>	<u>(6,840,027)</u>
Net cash flows from financing activities		<u>(15,137,239)</u>	<u>(8,385,418)</u>
Net increase/(decrease) in cash and cash equivalents		388,960	(2,791)
Cash and cash equivalents at 1 January		<u>1,012</u>	<u>3,803</u>
Cash and cash equivalents at 31 December		<u><u>389,972</u></u>	<u><u>1,012</u></u>

The notes on pages 12 to 23 form an integral part of these financial statements.

CEG Investments III LLP

Notes to the Financial Statements for the Year Ended 31 December 2018

1 Accounting policies

CEG Investments III LLP is a limited liability partnership incorporated in England & Wales under the Companies Act. The address of the registered office is given on the LLP information page and the nature of the LLP's principal activities are set out in the Members report.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules except investments are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the LLP's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

The LLP's financial statements are presented in Sterling (GBP), which is the LLP's functional currency and all values are rounded to the nearest pound (£) except where otherwise indicated. The functional currency is the currency of the primary economic environment in which the LLP operates. Accordingly, the LLP measures its financial results and financial position in Sterling. The reporting currency used for the preparation of the financial statements is Sterling, which is the currency in which the Members' capital in the LLP is denominated.

These financial statements have been prepared on a going concern basis, which assumes that the LLP will continue to meet its liabilities, as they fall due, for the foreseeable future. The Members have prepared cash flow forecasts which indicate that the LLP can continue as a going concern.

Changes in accounting policy

New standards, interpretations and amendments effective from 1 January 2018

The LLP has adopted the new Financial Instruments (IFRS 9) standard in the annual financial statements for the year ended 31 December 2018. This has given rise to changes in the LLP's accounting policy. Details of the impact are included in the disclosure notes.

CEG Investments III LLP

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

1 Accounting policies (continued)

Standards and interpretations in issue not yet adopted

Other new and amended standards and interpretations issued by the IASB or IFRIC that will apply for the first time in the next annual financial statements are not expected to impact the LLP as they are either not relevant to the LLP's activities or require accounting which is materially consistent with the LLP's current accounting policies.

Revenue recognition

Interest revenue and costs are recognised in the statement of comprehensive income for all interest-bearing instruments on an accrual basis, unless collectability is in doubt.

Investment revenue is recognised when it accrues, unless collectability is in doubt.

Financial assets

The LLP classifies its financial assets into the categories listed below, depending on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The LLP has not classified any of its financial assets as held to maturity.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through the profit or loss:-

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss.

The LLP's accounting policy for each category is as follows:

Receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that there will be expected credit losses of the full value of the trade receivables. The amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

CEG Investments III LLP

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

1 Accounting policies (continued)

The LLP's receivables comprise other receivables (including amounts owed by group undertakings) and cash and cash equivalents in the statement of financial position.

Cash and cash equivalent

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the statement of financial position at amortised cost.

Impairment of financial assets

Measurement of Expected Credit Losses

The LLP recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at fair value through the profit & loss, namely:

- Trade and other receivables
- Related party receivables

The LLP classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the LLP recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the LLP recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the LLP recognises the lifetime ECL.

For trade receivables, the LLP applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade and other receivables assets have been grouped based on shared credit risk characteristics and the days past due.

For related party receivables, the LLP applies the simplified approach, which requires the expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses an assessment of whether the borrower has sufficient available liquid resources if the loan was called is made. In the case that there are insufficient available liquid resources, realisation scenarios of illiquid assets are used with estimated outcomes and probabilities of their occurrence to determine the expected credit losses.

CEG Investments III LLP

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

1 Accounting policies (continued)

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date. Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Financial liabilities

The LLP classifies its financial liabilities into one of the categories listed below:

Other financial liabilities

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Fair value measurement hierarchy

IFRS 13: Fair Value Measurement requires certain disclosures which require the classification of assets and liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see notes 3). The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value asset or liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Fair value assets and liabilities are classified in their entirety into only one of the three levels.

Members' capital

Financial instruments issued by the LLP are treated as equity only to the extent that they do not meet the definition of a financial liability.

Tax

The financial statements do not incorporate any charge or liability for taxation on the results of the LLP. The relevant income tax is the responsibility of the members of the LLP.

CEG Investments III LLP

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

1 Accounting policies (continued)

Investment in affiliated entities

Investments by the LLP in affiliated entities are carried at fair value. Where fair value cannot be reliably ascertained, the cost method of accounting is applied.

The results of affiliated entities are reflected in the financial statements of the holding LLP only to the extent of distributions receivable.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

2 Critical accounting judgements and key sources of estimation uncertainty

The LLP makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

Valuation of non-equity accounted investments

Valuations are based on the underlying net asset values which may themselves be based on investment property valuations.

Investment property valuations are performed by external valuers or the LLP's managing agent, Commercial Estates Group Limited (CEG), in order to determine their fair value. These valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties.

The methods and assumptions applied, and the valuation techniques used are disclosed in note 8.

Application of IFRS 9 to related party loans

In applying IFRS 9 to related party loan receivables, the designated members have determined the ability of the related party to realise sufficient liquid assets to enable repayment. The designated members have used certain estimates and judgements in a variety of scenarios to calculate the future expected cash flows of the related party through a managed programme of realising the related party's property assets to enable it to meet its loan obligations.

CEG Investments III LLP

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Financial instruments - risk management

Financial risk factors

The LLP is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk

In common with all other businesses, the LLP is exposed to risks that arise from its use of financial instruments. This note describes the LLP's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the LLP's exposure to financial instruments risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the LLP from which financial instrument risk arises are as follows:

- Trade and other receivables
- Cash at bank
- Trade and other payables

A summary of the financial instruments held by category is provided below:

Financial assets

	Financial assets at amortised cost	
	31 December 2018	31 December 2017
	£	£
Trade and other receivables - <i>maturity within one year</i>	250	724
Trade and other receivables - <i>maturity between two and five years</i>	12,888,279	12,888,279
Cash and cash equivalents - <i>maturity within one year</i>	389,972	1,012
	<u>13,278,501</u>	<u>12,890,015</u>

CEG Investments III LLP

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

3 Financial instruments - risk management (continued)

Financial liabilities

	Financial liabilities at amortised cost	
	2018	2017
	£	£
Trade and other payables		
- maturity within one year	391,794	-
	391,794	-

The Members have overall responsibility for the determination of the LLP's risk management objectives and policies. The Members receive quarterly reports through which they review the effectiveness of the processes put in place and the appropriateness of the objectives and policies they set.

The overall objective of the Members is to set policies that seek to reduce risks as far as possible without unduly affecting the LLP's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) Credit risk

The LLP's exposure to credit risk arises from the potential financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. It relates principally to the LLP's receivables from tenants related parties.

(ii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The LLP aims to maintain flexibility in funding by keeping committed credit lines available. All contractual cash flows are due within one year.

The LLP's liquidity position is monitored on a daily basis. The liquidity position is reviewed quarterly by the Members.

Capital risk management

The Members monitor the capital needs of the LLP on an ongoing basis and formally on a quarterly basis the equity, debt and overall capital position of the LLP.

4 Operating expenses

	2018	2017
	£	£
Legal and professional	2,286	1,589
Bank charges	1,342	1,599
	3,628	3,188

CEG Investments III LLP

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

5 Operating loss

The auditors' remuneration for audit services amounts to £2,286 (2017 - £1,589).

The LLP had no employees during the year (2017 - £nil). The average number of Members in the year was 5 (2017 - 5) all of whom were designated Members. No Members received any remuneration during the year (2017 - £nil).

6 Finance income

	2018 £	2017 £
Finance income		
Interest income on bank deposits	2	-
Dividend income	13,590,646	6,840,027
Intercompany interest receivable (see note 14)	<u>1,546,593</u>	<u>1,546,593</u>
Total finance income arising from financial assets measured at amortised cost	<u>15,137,241</u>	<u>8,386,620</u>

7 Taxation

The financial statements do not include any charges or liabilities for taxation on the results of the LLP as the relevant income tax and any tax on capital gains is the responsibility of the individual partners.

8 Investments

Investment in ASE Holding SARL	2018 £	2017 £
At 1 January	13,045,134	17,479,497
Revaluation	<u>(7,773,121)</u>	<u>(4,434,363)</u>
At 31 December	<u>5,272,013</u>	<u>13,045,134</u>

ASE Holdings SARL is a company incorporated in Luxembourg. The investment represents a 24.44% non-controlling interest. ASE Holdings SARL is a controlling member of Anglo Scandinavian Estates LLP ('ASE LLP') which owns a portfolio of property and rents it out to earn rental income. The priority return was reached during the year. CEG Holdings LLP now has a partnership interest in ASE LLP which entitles it to a share of future cash distributions from ASE LLP.

Investment valuations are based on the underlying net asset values which themselves are based on investment property valuations.

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Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

9 Trade and other receivables

	31 December 2018 £	31 December 2017 £
Other receivables	250	724
Amounts owed by related parties	<u>12,888,279</u>	<u>12,888,279</u>
Total financial assets other than cash and cash equivalents classified as loans and receivables	12,888,529	12,889,003
Tax and social security	<u>-</u>	<u>318</u>
Total trade and other receivables	<u><u>12,888,529</u></u>	<u><u>12,889,321</u></u>

Details of non-current trade and other receivables

Amounts owed by related parties of £12,888,279 (2017 - £12,888,279) is classified as non current. Amounts owed by group undertakings are unsecured, repayable on 12 June 2022 and attract interest at a rate of 12% per annum.

Fair value approximates to book value at 31 December 2018 and 2017 as credit risk has been addressed as part of the impairment provisioning and due to the receivables not being subject to ongoing fluctuations in market rates as a result of their short term nature.

The LLP has assessed the credit risk of amounts owed by related parties under IFRS 9 and determined the expected credit losses to be immaterial due to the borrower being able to repay the loans through the disposal of the borrower's assets over time.

10 Trade and other payables

	31 December 2018 £	31 December 2017 £
Trade payables	1,968	-
Other payables	<u>389,826</u>	<u>-</u>
Total financial liabilities, excluding loans and borrowings, classified as financial liability measured at amortised cost	<u>391,794</u>	<u>-</u>
Total trade and other payables	<u><u>391,794</u></u>	<u><u>-</u></u>

Due to the short term nature of the payables, they are not subject to ongoing fluctuations in market rates, and so the fair value approximates to book value at 31 December 2018 and 2017.

CEG Investments III LLP

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

10 Trade and other payables (continued)

Maturity analysis of the financial liabilities, classified as financial liabilities measured at amortised cost, is as follows (the amounts shown are undiscounted and represent the contractual cash flows):

	2018 £	2017 £
Up to one year	<u>391,794</u>	<u>-</u>

Trade and other payables are interest free and have settlement dates within one year.

11 Notes supporting statement of cash flows

Cash and cash equivalents for the purpose of the statement of cash flows comprises:

	31 December 2018 £	31 December 2017 £
Cash at bank	<u>389,972</u>	<u>1,012</u>

Non-cash transactions from financing transactions are shown in the reconciliation of liabilities from financing transactions below:

	Loans and other debts due from members £	Total £
At 1 January 2018	12,987,636	12,987,636
Non-cash flows		
Interest accruing in period	<u>12,470</u>	<u>12,470</u>
At 31 December 2018	<u>13,000,106</u>	<u>13,000,106</u>
At 1 January 2017	12,976,556	12,976,556
Non-cash flows		
Interest accruing in period	<u>11,080</u>	<u>11,080</u>
At 31 December 2017	<u>12,987,636</u>	<u>12,987,636</u>

12 Effects of changes in accounting policies

The LLP adopted IFRS 9 with a transition date of 1 January 2018. The LLP has chosen not to restate comparatives on adoption of IFRS 9 and, therefore, is not reflected in the restated prior year financial statements. It is also not reflected in the opening retained earnings as it was not material to the financial statements.

CEG Investments III LLP

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

13 Reserves

Members' capital

Amount subscribed for capital in line with the LLP agreement.

Revaluation reserve

Cumulative net gains and losses recognised on investments.

Other reserves

Other cumulative net gains and losses recognised in the statement of comprehensive income less amounts distributed to members.

14 Related party transactions

Entities forming part of the group headed by ASE Holdings SARL are considered by the Members to be related parties as the LLP has a beneficial interest in this group.

Transactions with related parties are entered into on a regular basis as a result of normal commercial transactions. The following significant transactions were carried out by the LLP with related parties during the current period:

	Interest payable by related parties during the period ended 31 December 2018 £	Amounts owed from related parties as at 31 December 2018 £
ASE Finance S.A.R.L – loan (Incorporated in Luxembourg)	<u>1,546,593</u>	<u>12,888,279</u>
	Interest payable by related parties during the period ended 31 December 2017 £	Amounts owed from related parties as at 31 December 2017 £
ASE Finance S.A.R.L – loan (Incorporated in Luxembourg)	<u>1,546,593</u>	<u>12,888,279</u>

The LLP also received loans from Members as follows:

CEG Investments III LLP

Notes to the Financial Statements for the Year Ended 31 December 2018 (continued)

14 Related party transactions (continued)

	Non-discretionary allocation of profits to related parties during the year ended 31 December 2018 £	Amounts owed to related parties as at 31 December 2018 £
Veralda AB (Anders Strom Investering AB) **	(301,210)	(2,511,610)
Dooba Properties Limited*	(481,936)	(4,018,577)
Varenne Fastigheter 2011 AB	(289,162)	(2,411,146)
Nunataq AB (Windward Capital AB)	(4,820)	(40,196)
Zimbrine Holding BV^	<u>(481,936)</u>	<u>(4,018,577)</u>

	Non-discretionary allocation of profits to related parties during the year ended 31 December 2017 £	Amounts owed to related parties as at 31 December 2017 £
Veralda AB (Anders Strom Investering AB) **	(300,709)	(2,509,201)
Dooba Properties Limited*	(481,134)	(4,014,722)
Varenne Fastigheter 2011 AB	(288,682)	(2,408,834)
Nunataq AB (Windward Capital AB)	(4,812)	(40,157)
Zimbrine Holding BV^	<u>(481,134)</u>	<u>(4,014,722)</u>

Loan from Members are unsecured and interest is charged at a rate of 12%.

* Loan provided directly by the main beneficiary of the ultimate controlling party of this Member.

** Loan provided directly by Veralda Capital Limited (formerly known as Anders Strong Asset Management Limited), a related party of Veralda AB.

^ Loan provided directly by Swedia Invest AB (formerly known as Swedia Capital AB), a related party of Zimbrine Holding BV.

15 Controlling party information

CEG Investments III LLP is not controlled by one entity or individual.