

Partnership Registration No. OC411321 (England and Wales)

37-41 MORTIMER STREET LLP
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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37-41 MORTIMER STREET LLP

LIMITED LIABILITY PARTNERSHIP INFORMATION

Designated members	Averssen Limited CH Capital A Holdings LLC
Members	AR & V Investments Limited CJ O'Shea and Company Limited Daisybox Limited Galliard Holdings Limited
Partnership number	OC411321
Registered office	33 Davies Street London United Kingdom W1K 4LR
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF

37-41 MORTIMER STREET LLP

CONTENTS

	Page
Members' report	1 - 2
Members' responsibilities statement	3
Independent auditor's report	4 - 5
Group statement of comprehensive income	6
Group statement of financial position	7
Partnership statement of financial position	8
Statement of changes in equity	9
Notes to the financial statements	10 - 24

37-41 MORTIMER STREET LLP

MEMBERS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The members present their report and financial statements for the year ended 31 December 2017.

Incorporation

37-41 Mortimer Street LLP (the "Partnership" or "LLP") was incorporated on 14 April 2016.

Principal activities

The principal activity of the Partnership is that of property investment, development and operating a work, hospitality and lifestyle co-operative for private members.

Going concern

The Group has net current assets of £906,115 (2016: £1,283,157) and net assets of £15,037,221 (2016: £18,193,459). The Partnership has net current assets of £22,354,991 (2016: £18,589,315) and net assets of £19,855,494 (2016: £18,589,815). The Group has cash at bank and in hand of £1,395,298 (2016: £1,600,996). The Partnership has cash at bank and in hand of £1,015,806 (2016: £20,420).

In preparing a cash flow and earnings forecast to support the going concern assessment, the Partners have assessed whether the Group will be able to comply with all loan covenants for a period of at least twelve months from the date of approval of the Partnership's financial statements.

At present, the Partners are in breach of the interest cover covenant since 31 December 2018 and forecast to be in breach through to 30 September 2019. The Partners also forecast to be in breach of the debt service cover covenant at 30 September 2019.

The ability of the Group to remedy the breach of the interest cover covenant and the forecast breach of the debt service cover covenant represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The Group's bank loan facility with HSBC Bank plc was £21,226,711 (2016: £13,590,587) as at the reporting date, with a final repayment date of 21 November 2022.

The Partners are currently involved in determining the remedial courses of action required to remedy the breaches. This has included a review of possible operational improvements to increase forecast earnings. Management have also received email correspondence from the lender dated 13 December 2018 stating that the bank will revisit the covenant compliance requirements falling due in the Group when full 2018 trading results are available.

The Partners therefore consider it appropriate to prepare the Group accounts on a going concern basis. The financial statements do not include adjustments that would result if the Group was unable to continue as a going concern.

Members' drawings, contributions and repayments

The members' drawing policy allows each member to draw a proportion of their profit share, subject to the cash requirements of the business.

A member's capital requirement is linked to their share of profit and the financing requirement of the limited liability partnership. There is no opportunity for appreciation of the capital subscribed. Just as incoming members introduce their capital at "par", so the retiring members are repaid their capital at "par".

37-41 MORTIMER STREET LLP

MEMBERS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Designated members

The designated members who held office during the year and up to the date of signature of the financial statements were as follows:

Averssen Limited
CH Capital A Holdings LLC

Members

The members who held office during the period and up to date of signature of the financial statements were as follows:

AR & V Investments Limited
CJ O'Shea and Company Limited
Daisybox Limited
Galliard Holdings Limited

Auditor

Ernst & Young LLP were appointed as auditor to the limited liability partnership and in accordance with section 485 of the Companies Act 2006. A resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each member at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the Partnership's auditor is unaware. Having made enquiries of fellow members and the group's auditor, each member has taken all the steps that they are obliged to have taken as members in order to make themselves aware of all relevant audit information and to establish that the auditor is aware of that information.

The financial statements have been prepared in accordance with the provisions applicable to limited liability partnership subject to the small limited liability partnership regime of the Companies Act 2006.

On behalf of the members



Mr J. S. Goldstein
Director
CH Capital A Holdings LLC
Designated Member

25 FEB 2019

37-41 MORTIMER STREET LLP

MEMBERS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then 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 limited liability partnership will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 37-41 MORTIMER STREET LLP

Opinion

We have audited the consolidated financial statements of 37-41 Mortimer Street LLP for the year ended 31 December 2017 which comprise the Group Statement of Comprehensive Income, Group and Partnership Statement of Financial Position, Group and Partnership Statement of changes in equity and the related notes 1 to 21 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland.'

In our opinion the financial statements:

- give a true and fair view of the state of the group's and partnership's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland; 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 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 below. We are independent of the limited liability partnership 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.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements concerning the ability of the Group to remedy the breach of the interest cover covenant and the forecast breach of the debt service cover covenant within the Group's bank loan facility. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the Members' report, other than the financial statements and our auditor's report thereon. The members are responsible for the other information

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF 37-41 MORTIMER STREET LLP

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 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; or
- the members were not entitled to prepare financial statements in accordance with the small limited liability partnerships' regime.

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement set out on page 3, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

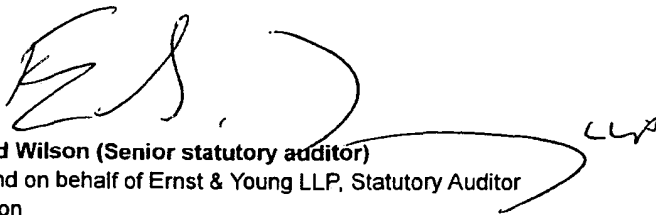
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



David Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

25 FEB 2019

37-41 MORTIMER STREET LLP

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

		31 December 2017	Period 14 April 2016 to 31 December 2016
	Notes	£	£
Turnover	4	204,538	-
Cost of sales		(95,937)	-
Gross profit		108,601	-
Administrative expenses		(2,341,915)	(556,587)
Operating loss	3	(2,233,314)	(556,587)
Interest receivable and similar income	7	-	46
Interest payable and similar expenses	8	(126,210)	-
Impairment losses	6	(2,296,714)	-
Loss before taxation		(4,656,238)	(556,541)
Taxation	9	-	-
Loss after taxation		(4,656,238)	(556,541)
Loss before members' remuneration and profit shares		(4,656,238)	(556,541)
Members' remuneration charged as an expense		-	-
Loss available for discretionary division among members		(4,656,238)	(556,541)
Total comprehensive loss for the year/period		(4,656,238)	(556,541)

All amounts relate to continuing operations.

37-41 MORTIMER STREET LLP

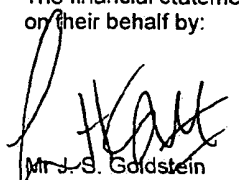
GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 £	2016 £
Fixed assets			
Intangible assets	10	68,381	7,783
Tangible Assets	11	37,853,313	30,493,106
		<u>37,921,694</u>	<u>30,500,889</u>
Current assets			
Stocks	13	51,272	-
Debtors	14	887,288	127,792
Cash at bank and in hand		1,395,298	1,600,996
		<u>2,333,858</u>	<u>1,728,788</u>
Creditors: amounts falling due within one year	15	<u>(1,427,743)</u>	<u>(445,631)</u>
Net current assets		<u>906,115</u>	<u>1,283,157</u>
Total assets less current liabilities		<u>38,827,809</u>	<u>31,784,046</u>
Creditors: amounts falling due after more than one year	16	<u>(23,790,588)</u>	<u>(13,590,587)</u>
Net assets attributable to members		<u>15,037,221</u>	<u>18,193,459</u>
Represented by:			
Members' other interests			
Members' capital		20,250,000	18,750,000
Other reserves		(5,212,779)	(556,541)
		<u>15,037,221</u>	<u>18,193,459</u>

These financial statements have been prepared in accordance with the provisions applicable to limited liability partnerships subject to the small limited liability partnership regime of the Companies Act 2006.

The financial statements were approved by the members and authorised for issue on 25 FEB 2019 and are signed on their behalf by:


Mr J. S. Goldstein

Director

CH Capital A Holdings LLC

Designated member

Limited Liability Partnership Registration No. OC411321

37-41 MORTIMER STREET LLP

PARTNERSHIP STATEMENT OF FINANCIAL POSITION

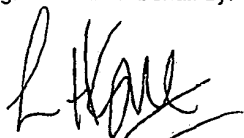
AS AT 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Investments	12		503		503
Current assets					
Debtors	14	21,538,324		18,711,065	
Cash at bank and in hand		1,015,806		20,420	
		22,554,130		18,731,485	
Creditors: amounts falling due within one year	15	(199,139)		(142,170)	
Net current assets		22,354,991		18,589,315	
Total assets less current liabilities		22,355,494		18,589,818	
Creditors: amounts falling due after more than one year	16	(2,500,000)		(3)	
Net assets attributable to members		19,855,494		18,589,815	
Represented by:					
Members' other interests					
Members' capital		20,250,000		18,750,000	
Other reserves		(394,506)		(160,185)	
		19,855,494		18,589,815	

These financial statements have been prepared in accordance with the provisions applicable to limited liability partnerships subject to the small limited liability partnership regime of the Companies Act 2006.

25 FEB 2019

The financial statements were approved by the members and authorised for issue on and are signed on their behalf by:



Mr J. S. Goldstein
Director
CH Capital A Holdings LLC
Designated member
Limited Liability Partnership Registration No. OC411321

37-41 MORTIMER STREET LLP

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

<i>Group</i>	EQUITY		TOTAL
	Members' other interests		MEMBERS'
	Members' capital	Other reserves	INTERESTS
	£	£	Total
Opening as at 14 April 2016	-	-	-
Total comprehensive loss for the period	-	(556,541)	(556,541)
Introduced by members	18,750,000	-	18,750,000
At 31 December 2016	18,750,000	(556,541)	18,193,459
Opening as at 1 January 2017	18,750,000	(556,541)	18,193,459
Total comprehensive loss for the year	-	(4,656,238)	(4,656,238)
Introduced by members (note 18)	1,500,000	-	1,500,000
At 31 December 2017	20,250,000	(5,212,779)	15,037,221

<i>Partnership</i>	EQUITY		TOTAL
	Members' other interests		MEMBERS'
	Members' capital	Other reserves	INTERESTS
	£	£	Total
Opening as at 14 April 2016	-	-	-
Introduced by members	18,750,000	-	18,750,000
Total comprehensive loss for the period	-	(160,185)	(160,185)
At 31 December 2016	18,750,000	(160,185)	18,589,815
Opening as at 1 January 2017	18,750,000	(160,185)	18,589,815
Introduced by members (note 18)	1,500,000	-	1,500,000
Total comprehensive loss for the year	-	(234,321)	(234,321)
At 31 December 2017	20,250,000	(394,506)	19,855,494

37-41 MORTIMER STREET LLP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

Limited liability partnership information

37-41 Mortimer Street LLP is a limited liability partnership incorporated in England and Wales on 14 April 2016. The registered office is 33 Davies Street, London, W1K 4LR. The Partnership number is OC411321. The Group and Partnership financial statements were approved by the Board on behalf of the members on **25 FEB 2019**

The limited liability partnerships's principal activities are disclosed in the Members' Report.

1.1 Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" issued in July 2014, together with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small limited liability partnerships regime.

The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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

The financial statements have been prepared under the historical cost convention and the principal accounting policies adopted are set out below.

The Partnership has taken the exemption under section 1A.7 of FRS 102 from the requirement to prepare a statement of cash flows for the financial period.

1.2 Basis of consolidation

The group financial statements consolidate the financial statements of 37-41 Mortimer Street LLP and all its subsidiary undertakings drawn up to 31 December 2017. No Partnership statement of comprehensive income is presented for 37-41 Mortimer Street LLP as permitted by section 408 of the Companies Act 2006 (as applied by LLPs).

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting period as the Partnership. Where necessary, adjustments are made to bring the accounting policies used into line with those of the Group. All inter-company balances and transactions, including unrealised profits arising from them are eliminated.

In the parent partnership financial statements, investments in subsidiaries and associates are accounted for at cost less impairment.

37-41 MORTIMER STREET LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.3 Going concern

The Group has net current assets of £906,115 (2016: £1,283,157) and net assets of £15,037,221 (2016: £18,193,459). The Partnership has net current assets of £22,354,991 (2016: £18,589,315) and net assets of £19,855,494 (2016: £18,589,815). The Group has cash at bank and in hand of £1,395,298 (2016: £1,600,996). The Partnership has cash at bank and in hand of £1,015,806 (2016: £20,420).

In preparing a cash flow and earnings forecast to support the going concern assessment, the Partners have assessed whether the Group will be able to comply with all loan covenants for a period of at least twelve months from the date of approval of the Partnership's financial statements.

At present, the Partners are in breach of the interest cover covenant since 31 December 2018 and forecast to be in breach through to 30 September 2019. The Partners also forecast to be in breach of the debt service cover covenant at 30 September 2019.

The ability of the Group to remedy the breach of the interest cover covenant and the forecast breach of the debt service cover covenant represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The Group's bank loan facility with HSBC plc was £21,226,711 (2016: £13,590,587) as at the reporting date, with a final repayment date of 21 November 2022.

The Partners are currently involved in determining the remedial courses of action required to remedy the breaches. This has included a review of possible operational improvements to increase forecast earnings. Management have also received email correspondence from the lender dated 13 December 2018 stating that the bank will revisit the covenant compliance requirements falling due in the Group when full 2018 trading results are available.

The Partners therefore consider it appropriate to prepare the Group accounts on a going concern basis. The financial statements do not include adjustments that would result if the Group was unable to continue as a going concern.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Partnership's revenues are derived from food and beverage sales, membership fee income, meeting room hire, and event income.

Food and beverage revenue

These revenues are recorded net of value added tax and tips/gratuities collected from customers and are recognised as the goods are provided.

37-41 MORTIMER STREET LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

Turnover (Continued)

Membership income

Membership income is paid annually in advance or monthly, and recognised on a monthly basis over the membership period. Membership joining fees relate to administration fees and are therefore recognised as revenue on commencement of membership.

Meeting room hire

Meeting room hire is paid in advance and deferred or paid at the time the meeting room hire takes place, and recognised as revenue in the period the meeting room hire takes place.

Event income

Event deposits are paid in advance and deferred and recognised in the period of the event. Event fees and associated revenue collected is recognised in the period the event takes place.

1.5 Members' participating interests

Members' participation rights are the rights of a member against the Partnership that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed remuneration and profits).

Members' participation rights in the earnings or assets of the Partnership are analysed between those that are, from the Partnership's perspective, either a financial liability or equity, in accordance with section 22 of FRS 102. A member's participation rights including amounts subscribed or otherwise contributed by members, for example members' capital, are classed as liabilities unless the Partnership has an unconditional right to refuse payment to members, in which case they are classified as equity.

All amounts due to members that are classified as liabilities are presented within 'Loans and other debts due to members' and, where such an amount relates to current year profits, they are recognised within 'Members' remuneration charged as an expense' in arriving at the relevant year's result. Undivided amounts that are classified as equity are shown within 'Members' other interests'. Amounts recoverable from members are presented as debtors and shown as amounts due from members within members' interests.

Once an unavoidable obligation has been created in favour of members through allocation of profits or other means, any undrawn profits remaining at the reporting date are shown as 'Loans and other debts due to members' to the extent they exceed debts due from a specific member.

37-41 MORTIMER STREET LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.6 Intangible fixed assets

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised on a straight line basis over their estimated useful lives. The useful economic lives of the intangible assets are as follows:

Trademarks - 10 years
Software - 3 years

If there are indicators that the residual value or useful life has changed since the most recent annual reporting period, previous estimates shall be reviewed and, if current expectations differ, the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

1.7 Tangible assets

Tangible assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following basis:

Freehold Property - 50 years
Computers - 3 years
Fixtures and fittings - 2 to 5 years

Depreciation is not charged while the property is under development.

The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.8 Impairment of fixed assets

At each reporting period end date, the Designated Members review the carrying amounts of the Partnership's tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Designated Members estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

37-41 MORTIMER STREET LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

Impairment of fixed assets (Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and are subject to insignificant risk of changes in fair value.

1.12 Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest and are subsequently measured at amortised cost using effective interest method.

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest and are subsequently measured at amortised costs using the effective interest method.

37-41 MORTIMER STREET LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.13 Taxation

The tax expense represents the sum of current tax and deferred tax incurred by subsidiary companies. The Partnership is not, itself, subject to corporation tax.

Current tax

The tax currently payable in the subsidiaries is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred taxation in the subsidiaries is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Unrelieved tax losses and other deferred tax assets are recognised only to the extent it is more likely than not that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The tax liability arising from the activities of the Partnership is borne personally by the members. The Partnership is therefore transparent for income and capital gains tax purposes. Profits of the Partnership are subject to income tax with each member solely responsible for tax directly on his share of the partnership profits. Losses of the Partnership are similarly allocated among members in accordance with the executed partnership agreement and relieved for tax purposes, if required, against the member's total taxable income for the tax year in which the accounting period ends and/or the previous tax year. Otherwise losses can be carried forward to be set against future shares of profit as long as the Partnership continues and the individual remains a member.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the limited liability partnership is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

37-41 MORTIMER STREET LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

2 Judgements and key sources of estimation uncertainty

In the application of the limited liability partnership's accounting policies, the members are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Impairment of non-financial assets

Where there are indicators of impairment of fixed assets, which indicate that the carrying value may not be recoverable, the Group performs impairment tests on these investments based on the fair value by comparing the carrying value with its recoverable amount, being the higher of its fair value, less costs to sell and its value in use.

3 Operating loss

	Group Partnership		Group Partnership	
			Period 14 April 2016 to 31 December 2016	Period 14 April 2016 to 31 December 2016
	2017	2017	2016	2016
	£	£	£	£
Operating loss for the year is stated after charging:				
Fees payable to the LLP's auditor for the audit of the LLP's financial statements	73,700	13,500	62,000	19,500
Amortisation of intangible assets	827	-	484	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

4 Turnover

An analysis of the Group's turnover is as follows:

	Period 14 April 2016 to 31 December 2016	
	2017	2016
	£	£
Food and beverage	164,342	-
Membership fee income	17,161	-
Meeting room hire	2,600	-
Event income	20,435	-
	-	-
	<u> </u>	<u> </u>
	204,538	-
	<u> </u>	<u> </u>

37-41 MORTIMER STREET LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

5 Employees

The average number of persons employed by the Group during the period was 17 (2016: 1). The average number of persons employed by the Partnership during the period was nil (2016: nil).

6 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

			2017 £	2016 £
			2,296,714	-
7	Interest receivable and similar income	Group Partnership	Group Period	Partnership Period
			14 April 2016	14 April 2016
			to	to
			31 December	31 December
		2017	2017	2016
		£	£	£
	Interest income			
	Interest on bank deposits	-	-	46
			46	46
8	Interest payable and similar expenses	Group Partnership	Group Period	Partnership Period
			14 April 2016	14 April 2016
			to	to
			31 December	31 December
		2017	2017	2016
			£	£
	Interest on bank overdrafts and loans	126,210	46,528	-

37-41 MORTIMER STREET LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

9 Taxation

(a) Taxation expense on ordinary activities in corporate subsidiaries

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	Group	Partnership	Group	Partnership
	Year ended	Year ended	Period	Period
	31 December	31 December	14 April	14 April
	2017	2017	2016	2016
	£	£	£	£
Total current tax	-	-	-	-
Total tax charge	-	-	-	-
Consolidated loss before taxation	4,656,238	-	556,541	-
Expected tax credit based on the standard rate of corporation tax in the UK of 19.25% (Period 14 April 2016 to 31 December 2016: 20%)	896,326	-	111,308	-
Unutilised subsidiary tax losses carried forward	(848,902)	-	(74,123)	-
Losses not subject to taxation	(47,424)	-	(37,185)	-
Total tax charge for the year / period	-	-	-	-

(b) Factors that may affect future tax charges

The taxation credit on the Partnership's losses are personal assets of the members. In respect to the Partnership's subsidiary undertaking, the standard rate of corporation tax in the UK was changed from 20% to 19% from effect from 1 April 2017. The corporation tax rate will reduce to 17% from 1 April 2020. The rate changes will impact the amount of future tax payments to be made by the Company.

(c) Deferred tax

Deferred tax assets have not been recognised as it is unlikely they will be recognised against the reversal of deferred tax liabilities or other taxable profits

37-41 MORTIMER STREET LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

10 Intangible fixed assets	Group Trademarks £	Group Software £	Group Total £	Partnership Total £
Cost				
At 1 January 2017	8,267	-	8,267	-
Additions	-	63,180	63,180	-
At 31 December 2017	8,267	63,180	71,447	-
Amortisation				
Amortisation charged for the year	(1,311)	(1,755)	(3,066)	-
Carrying amount				
At 31 December 2017	6,956	61,425	68,381	-
At 31 December 2016	7,783	-	7,783	-

37-41 MORTIMER STREET LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

11 Tangible assets	Group Freehold property 2017 £	Group Computers 2017 £	Group Fixtures and fittings 2017 £	Group Total 2017 £	Partnership Total 2017 £
Cost					
At 1 January 2017	30,491,657	1,449	-	30,493,106	-
Additions	8,832,465	489,560	402,737	9,724,762	-
At 31 December 2017	39,324,122	491,009	402,737	40,217,868	-
Depreciation and impairment					
Depreciation charged in the year	(43,219)	(14,082)	(10,540)	(67,841)	-
Impairment losses (note 6)	(2,296,714)	-	-	(2,296,714)	-
At 31 December 2017	(2,339,933)	(14,082)	(10,540)	(2,364,555)	-
Carrying amount					
At 31 December 2017	36,984,189	476,927	392,197	37,853,313	-
At 31 December 2016	30,491,657	1,449	-	30,493,106	-

The Group's freehold property is Mortimer House, located at 37-41 Mortimer Street, London, W1T 3JH.

Under FRS 102, the Group capitalises the development expenditure and can elect to capitalise borrowing costs that are directly attributable to the development of a qualifying asset. As a result, development costs include borrowing costs relating to the development which have been capitalised in the year of £597,417 (2016: £656,164). The total borrowing costs capitalised since the start of the development is £1,253,581 (2016: £656,164).

As at the 31 December 2017, the members assessed the recoverable amount of the freehold property asset and concluded that the carrying amount of the asset exceeded its recoverable amount. As a result, the members have impaired the asset by £2,296,714, reducing its value to its recoverable amount.

37-41 MORTIMER STREET LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

12 Investments	Group 2017 £	Partnership 2017 £	Group 2016 £	Partnership 2016 £
Investments in subsidiaries	-	503	-	503

The Partnership is a 100% shareholder in 37-41 Mortimer Opco Limited, 37-41 Mortimer GP Limited and Maslow's UK Services Limited. The Partnership is also a 99.99% shareholder in 37-41 Mortimer Unit Trust.

37-41 Mortimer Opco Limited is a company registered in England and Wales under company number 10184501 whose principle activity is to operate a work, hospitality and lifestyle cooperative for private members.

37-41 Mortimer GP Limited is a company registered in England and Wales under company number 10177529 whose principle activity is to act as a general partner of 37-41 Mortimer Limited Partnership, a limited partnership developing a property in the West End of London for commercial use.

Maslow's UK Services Limited is a company registered in England and Wales under company number 10184503 whose principle activity is to provide support and administration services.

37-41 Mortimer Unit Trust is a trust registered in Jersey whose principle activity is to participate in the indirect acquisition of UK situated real estate.

In order to assess whether an impairment of the investment carrying values of the subsidiaries was required, a comparison was made between the carrying value of the investments and the recoverable amount on an individual entity basis. The recoverable amount represents the assets' greatest value to the company in terms of the cashflows that it can generate from value in use or disposal.

13 Stocks	2017 £	2016 £
Raw materials and consumables	51,272	-

The stock comprises unused stock as at 31 December 2017 which was sold post year-end in the normal course of operations.

37-41 MORTIMER STREET LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

14 Debtors	Group 2017	Partnership 2017	Group 2016	Partnership 2016
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	157,160	-	-	-
Amounts due from subsidiary undertakings	-	21,538,324	-	18,711,065
Other debtors	412,104	-	90,305	-
Prepayments and accrued income	318,024	-	37,487	37,487
	<u>887,288</u>	<u>21,538,324</u>	<u>127,792</u>	<u>18,748,552</u>

Amounts due from subsidiary undertakings relates to loans from 37-41 Mortimer Street LLP to underlying entities with respect to operating cash, which are interest-free and repayable on demand without restrictions. Accordingly this has been classified as current.

15 Creditors: amounts falling due within one year	Group 2017	Partnership 2017	Group 2016	Partnership 2016
	£	£	£	£
Trade creditors	977,548	-	372,909	45,000
Amounts due to group undertakings	-	80,044	-	73,541
Other taxation and social security	47,702	-	-	3,629
VAT	-	21,567	-	-
Other creditors	125,163	-	10,242	500
Accruals and deferred income	259,958	97,528	62,480	19,500
Obligations under finance leases and hire purchase agreements (note 17)	17,372	-	-	-
	<u>1,427,743</u>	<u>199,139</u>	<u>445,631</u>	<u>142,170</u>

Amounts due to group undertakings are interest-free and repayable on demand without restrictions.

37-41 MORTIMER STREET LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

16 Creditors: amounts falling due after more than one year	Group 2017 £	Partnership 2017 £	Group 2016 £	Partnership 2016 £
Bank loans	21,226,711	-	13,590,587	-
Amounts due to members	2,500,000	2,500,000	-	3
Obligations under finance leases and hire purchase agreements (note 17)	63,876	-	-	-
	<u>23,790,588</u>	<u>2,500,000</u>	<u>13,590,587</u>	<u>3</u>

On 25 October 2017, the Partnership borrowed £2,500,000 from CH Capital A Holdings LLC and Galliard Holdings Limited for operational cash purposes with a repayment date of 25 October 2022.

During the year, the Group borrowed from its HSBC acquisition and development facility bringing the currently drawn down balance at the end of the year to £21,226,711 (2016: £13,590,587).

On 2 July 2018, the Group's acquisition and development loan transferred to an investment facility of £21,899,927 with a maturity date of 23 June 2023. The freehold property has been pledged as security against the investment facility loan.

17 Finance lease obligations

	2017 £	2016 £
Future minimum lease payments due under finance leases:		
Within one year	17,372	-
In two to five years	63,876	-
	<u>81,248</u>	<u>-</u>

Finance lease payments represent rentals payable by the Company for certain fixtures and fittings. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

18 Members' capital

In July 2017, the members contributed an additional £1,500,000 of capital to the Partnership for operational cash purposes bringing the total members capital to £20,250,000 (2016: £18,750,000).

19 Related party transactions

The Partnership paid support service fees of £180,000 during the year to Cain Hoy Enterprises (UK) Limited, a subsidiary of Cain International LP, part of the group of which CH Capital A Holdings LLC is also a member.

On 25 October 2017, the Partnership borrowed £2,500,000 from two of its members, CH Capital A Holdings LLC and Galliard Holdings Limited, for operational cash purposes.

Under FRS 102 section 1AC.35, disclosure is not given of transactions between two or more members of a group, provided that the subsidiary which is a party to the transaction is wholly-owned by such a member.

37-41 MORTIMER STREET LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

20 Ultimate parent company

The members' interests in the Partnership are as follows:

Averssen Limited, 20.8%, an entity incorporated in British Virgin Islands;
CH Capital A Holdings LLC, 45.7%, an entity incorporated in the US;
Galliard Holdings Limited, 10.7%, an entity incorporated in England and Wales;
AR & V investments Limited, 7.6%, an entity incorporated in England and Wales;
CJ O'Shea and Company Limited, 7.6%, an entity incorporated in England and Wales;
Daisybox Limited, 7.6%, an entity incorporated in England and Wales.

21 Subsequent events

On 2 July 2018, the Group's acquisition and development loan transferred to an investment facility of £21,899,927 with HSBC Bank plc which matures on 23 June 2023.