London Diversified Fund Management (UK) Limited

Registered Number: 04470767

Annual Report and Audited Financial Statements

For the year ended 31 December 2015

Registered No: 04470767

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Administrative information

Directors
D M Gorton
R C Standing

Secretary
Throgmorton Secretaries LLP

Auditors
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London
W1U 7EU

Bankers
Barclays Bank plc
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Registered Office
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Strategic report

For the year ended 31 December 2015

The directors present the strategic report of London Diversified Fund Management (UK) Limited ("the company") for the year ended 31 December 2015.

Principal activity and review of the business

The principal activity of the company during the year was the provision of support services to London Diversified Fund Management LLP ("the LLP"). During the year, the LLP was the trading advisor for an offshore fund (London Select Fund Limited, or "the Fund") and its associates, as well as the trading advisor of various managed accounts.

The results for the year and the financial position at the year end were considered satisfactory by the directors.

In October 2010 a joint venture agreement was entered into between David Gorton and Brevan Howard Group under which the systematic trading business of the LLP was transferred to a new vehicle (BH-DG Systematic Trading LLP ("the new vehicle"). The company shares a wide range of resources with the new vehicle, these being primarily staff and technology related. Such costs are shared between the two entities and split on a usage basis.

The directors do not anticipate any change in the nature of the company's principal activity going forward.

Results

The profit for the financial year amounted to £19,913 (2014: £517,852) as shown on page 8.

Key performance indicators (KPIs)

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Financial risk management

The key business risks and uncertainties affecting the business relate to the performance and assets under management of the Funds, managed by the LLP. Further to this, the company is exposed to a tax risk related to the potential payment of PAYE and NIC in relation to a Share Scheme Award established by the company as disclosed in note 16. To mitigate the resulting liquidity risk, the directors and one former director of the company have agreed to honour a proportion of the liability should payment become due, with this reimbursement recognised as an asset in note 10.

The directors consider that the company has sufficient capital and resources for at least 12 months from the date of these accounts.

Post balance sheet events

Subsequent to the year end on 25 January 2016, the company entered into a settlement agreement with HMRC that settled the company's PAYE, NIC and IHT position in respect of the EBT. The total amount directly payable to HMRC as a result of this settlement is £31,361,881 which is due for payment to HMRC by 27 May 2016. The amounts due to be paid are to be funded out of the EBT in accordance with an indemnity between the company and the EBT, and is included in notes 11 and 16.

The strategic report was approved by the board of directors and signed on its behalf by:

D M Gorton
Director
26 April 2016

Registered No: 04470767

Directors' report

For the year ended 31 December 2015

The directors present their report and the audited financial statements of London Diversified Fund Management (UK) Limited for the year ended 31 December 2015.

Dividends

The directors do not propose payment of an ordinary dividend (2014: £Nil).

Directors

The directors of the company during the year and up to the date of this report were:

D M Gorton
R C Standing

Going concern

These financial statements have been prepared on a going concern basis. The directors believe that this is appropriate as the company has sufficient liquid resources and an ongoing arrangement to provide services to the LLP, which itself has ongoing investment management and advisory contracts, for which the company is reimbursed for a proportion of expenses incurred. Therefore, the directors have a reasonable expectation that the company has adequate resources to meet its liabilities as they fall due for the foreseeable future.

Statement as to disclosure of information to auditors

At the date of approving this report, so far as each director is aware, there is no relevant audit information (any information needed by the auditor in connection with preparing its report) of which the company's auditors are unaware. Having made enquiries of fellow directors, each director has taken all steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are also aware of that information.

Auditors

The auditors, BDO LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the board meeting held to approve these financial statements.

By order of the board

D M Gorton
Director

26 April 2016

Statement of directors' responsibilities

For the year ended 31 December 2015

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

Independent auditors' report

to the members of London Diversified Fund Management (UK) Limited

We have audited the financial statements of London Diversified Fund Management (UK) Limited ("the company") for the year ended 31 December 2015 which comprises the statement of income and retained earnings, statement of financial position, statement of cash flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of London Diversified Fund Management (UK) Limited

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 requires us to report to you if, in our opinion:

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

Neil Fung-On (Senior statutory auditor)
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street
London
W1U 7EU

26 April 2016

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

Registered No: 04470767

Statement of income and retained earnings

For the year ended 31 December 2015

	Notes	2015 £	2014 £
Turnover	3		
Expenses reimbursement from London Diversified Fund Management LLP		3,786,815	4,133,071
Other income		173,721	-
		3,960,536	**4,133,071**
Administrative expenses		(4,069,422)	(4,217,827)
Operating loss	4	**(108,886)**	**(84,756)**
Profit on disposal of investments		-	76,623
Revaluation of fixed asset investments	12	80,069	661,616
Interest receivable		3,767	3,126
(Loss)/profit on ordinary activities before taxation		**(25,050)**	**656,609**
Tax credit/(charge) on (loss)/profit	7	44,963	(138,757)
Profit for the financial year		**19,913**	**517,852**
Other comprehensive income:			
Other comprehensive income		-	-
Total comprehensive income for the year		**19,913**	**517,852**
Retained earnings at beginning of year		21,470,869	20,953,017
Profit for the financial year		19,913	517,852
Retained earnings at end of year		**21,490,782**	**21,470,869**

All activities are derived from continuing operations.

Registered No: 04470767

Statement of financial position

As at 31 December 2015

	Notes	2015 £	2014 £
Fixed assets			
Tangible fixed assets	8	78,617	863,617
Investments	9	20,408,510	20,328,441
Employee benefit trust & Employee retirement plan	16	85,017,520	83,072,204
		105,504,647	**104,264,262**
Current assets			
Debtors	10	32,481,092	31,642,265
Cash and cash equivalents	14	554,492	524,141
		33,035,584	**32,166,406**
Creditors: amounts falling due within one year	11	(32,820,004)	(1,935,179)
Net current assets		**215,580**	**30,231,227**
Total assets less current liabilities		**105,720,227**	**134,495,489**
Provisions for liabilities and charges	16	(84,229,444)	(113,024,619)
Net assets		**21,490,783**	**21,470,870**
Capital and reserves			
Called up share capital	13	1	1
Profit and loss reserve		21,490,782	21,470,869
Total shareholders' funds		**21,490,783**	**21,470,870**

The financial statements were approved by the board of directors and signed on its behalf by:

D M Gorton
Director

26 April 2016

Registered No: 04470767

Statement of cash flows

For the year ended 31 December 2015

	Notes	2015 £	2014 £
Cash flows from operating activities			
(Loss)/profit on ordinary activities before taxation		(25,050)	656,609
Profit on disposal of investments		-	(76,623)
Revaluation gains on fixed asset investments due to FRS 102 translation		(80,069)	(661,616)
Interest receivable		(3,767)	(3,126)
Depreciation of tangible fixed assets		481,751	471,567
Decrease/(increase) in debtors		206,128	(773,710)
Decrease in creditors		(477,056)	(419,986)
Net cash inflow/(outflow) from operating activities		**101,937**	**(806,885)**
Cash flows from investing activities			
Interest received		3,767	3,126
Payments to acquire fixed assets		(75,353)	(244,336)
Proceeds on disposal of fixed asset investments		-	687,973
Payments to acquire fixed asset investments		-	(1,230,335)
Net cash outflow from investing activities		**(71,586)**	**(783,572)**
Net increase/(decrease) in cash and cash equivalents		**30,351**	**(1,590,457)**
Cash and cash equivalents at the beginning of year		524,141	2,114,598
Cash and cash equivalents at the end of year	14	**554,492**	**524,141**

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies

1.1 General information

London Diversified Fund Management (UK) Limited is a limited company registered in England. The Registered office is 4th Floor Reading Bridge House, George Street, Reading RG1 8LS.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical costs convention and in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first time adoption of FRS 102 is given in note 20.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires company management to exercise judgement in applying the company's accounting policies (note 2).

The following principal accounting policies have been applied:

1.3 Going concern

These financial statements have been prepared on a going concern basis. The directors believe that this is appropriate as the company has sufficient liquid resources and an ongoing arrangement to provide services to the LLP, which itself has ongoing investment management and advisory contracts, for which the company is reimbursed for expenses incurred. Therefore, the directors have a reasonable expectation that the company has adequate resources to meet its liabilities as they fall due for the foreseeable future.

1.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

1.5 Interest income

Interest income is recognised in the statement of income and retained earnings.

1.6 Operating leases

Rentals paid under operating leases are charged to the statement of income and retained earnings on a straight line basis over the lease term. The value of any rent free periods are amortised over the life of the lease.

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies (continued)

1.7 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of income and retained earnings when they fall due. Amounts not paid are shown in other creditors as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

1.8 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

The estimated useful lives range as follows:

Computer and office equipment	-	3 to 4 years straight line
Motor vehicles	-	5 years straight line
Furniture and fittings	-	4 years straight line
Leasehold improvements	-	Over the term of the lease
Bicycles	-	1 year straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of income and retained earnings.

1.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies (continued)

1.10 Valuation of investments

Investments in unlisted company shares, which have been classified as fixed asset investments as the company intends to hold them on a continuing basis are remeasured to fair value at each statement of financial position date. Gains and losses on remeasurement are recognised in statement of income and retained earnings for the period. Where the investment cannot be remeasured to fair value it is held as cost less impairment.

The investment in the Employee Benefit Trust has been remeasured to fair value at each statement of financial position date. Gains and losses on remeasurement are recognised in statement of income and retained earnings for the period.

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment, except where repayable on demand.

1.11 Financial instruments

Financial assets

Basic financial assets, including trade and other debtors, and cash and bank balances, are initially recognised at transaction price, 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. Such assets are subsequently carried at amortised cost using the effective interest method.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of income and retained earnings, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies (continued)

1.11 Financial instruments (continued)

Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, and loans from related parties, 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.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

1.12 Foreign currency translation

Functional and presentation currency

The company's functional currency and presentation currency is pounds sterling. Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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

1.13 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of income and retained earnings, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the company operate and generate income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Notes to the financial statements

For the year ended 31 December 2015

1. Accounting policies (continued)

1.14 Current and deferred taxation (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In applying the company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

(a) Critical judgements in applying the entity's accounting policies

The directors are of the opinion that a reliable fair value cannot be determined for the company's investment in London Diversified Fund Management LLP, or LDFM (Co Invest) I Limited, and as such theses investments have been stated at cost less impairment.

(b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 year are addressed below.

Impairment of investment not held at fair value

The directors have reviewed the operating results and financial positions of London Diversified Fund Management LLP, and LDFM (Co Invest) I Limited and are confident that there are no indications that the company's investments are impaired

Useful economic lives of non-financial assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 8 for the carrying amount of the non-financial assets, and note 1.8 for the useful economic lives for each class of assets.

3. Turnover

Turnover represents fees receivable as service provider to the LLP, and other income received. All fees arise in the United Kingdom.

Notes to the financial statements

For the year ended 31 December 2015

4. Operating loss

	2015	2014
	£	£
The operating loss is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 8)	481,751	471,567
Auditors' remuneration:		
- fees payable to auditors for the audit of the financial statements	18,450	22,800
Operating lease rental:		
- property	519,837	829,820
- plant and machinery	1,400	1,160
Foreign exchange losses/(gains)	10,109	(6,071)

5. Staff costs

	2015	2014
	£	£
Wages and salaries	1,401,480	1,425,405
Social security costs	185,818	183,298
Other pension costs	4,928	-
	1,592,226	**1,608,703**

The average monthly number of employees (including executive directors) during the year was as follows:

	2015	2014
Administration	8	8
Investment management	5	4
	13	**12**

6. Directors' emoluments

	2015	2014
	£	£
Remuneration	-	-

As disclosed in note 16, the company has previously made contributions to an Employee Benefit Trust for the principal benefit of existing and future employees. Until such time as allocations are made, amounts payable to directors are uncertain, and have not been included within directors' emoluments.

The amounts paid in respect of the highest paid director are as follows:

	2015	2014
	£	£
Remuneration	-	-

Notes to the financial statements

For the year ended 31 December 2015

7. Taxation

	2015	2014
	£	£
Corporation tax		
Current tax on profits for the year	11,585	140,831
Adjustments in respect of prior periods	(56,548)	(2,074)
Total current tax	**(44,963)**	**138,757**
Tax (credit)/charge on (loss)/profit on ordinary activities	**(44,963)**	**138,757**

Factors affecting the tax charge for the year

	2015	2014
Profit on ordinary activities before taxation.	**(25,050)**	**656,609**
Corporation tax at 20.25% (2014: 21.49%)	(5,073)	141,105
Effect of:		
Disallowed expenses and non taxable income	59,787	-
Adjustments to current tax charge in respect of previous periods	(56,548)	(2,074)
Revaluation gains not taxable for tax purposes	-	(142,181)
Bond fund gains on investments	(5,389)	158,376
Income not taxable for tax purposes	-	(16,469)
Utilisation of losses brought forward	(37,740)	-
Tax (credit)/charge on (loss)/profit on ordinary activities	**(44,963)**	**138,757**

Factors that may affect future tax charges:

The company has trade losses carried forward at 31 December 2015 of £1,766,436 (2014: £1,952,838) which are available indefinitely for offset against future trade profits arising in the company.

A deferred tax asset is not being recognised in relation to the trade losses, as the directors are of the opinion that there is not enough certainty that there will be sufficient relevant taxable profits in future periods against which the losses may be utilised.

The UK Government announced as part of the Finance (No 2) Act 2015, which received Royal Assent on 18 November 2015, to reduce the main rate of corporation tax rate from 20% to 19% from 1 April 2017 and further to 18% from 1 April 2020. In the 2016 Finance Bill, the UK Government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020 setting the rate at 17%. The 17% rate will replace the previous 18% rate from 1 April 2020 when it is substantively enacted. This will affect future cash tax payable by the company.

The total unrecognised deferred tax asset arising in the year was £353,287 (being £1,766,436 subject to the substantively enacted corporation tax rate of 20%).

Notes to the financial statements

For the year ended 31 December 2015

8. Tangible fixed assets

	Leasehold improvements £	Furniture and fittings £	Office equipment £	Computer equipment £	Bicycles & Motor vehicles £	Total £
Cost:						
At 1 January 2015	1,979,174	533,731	296,031	1,207,166	9,803	4,025,905
Additions	-	-	-	75,353	-	75,353
Transfer to related party	-	-	-	(1,073,583)	-	(1,073,583)
At 31 December 2015	**1,979,174**	**533,731**	**296,031**	**208,936**	**9,803**	**3,027,675**
Depreciation:						
At 1 January 2015	1,841,049	524,459	296,031	490,946	9,803	3,162,288
Charge for the year	138,125	751	-	342,875	-	481,751
Transfer to related party	-	-	-	(694,981)	-	(694,981)
At 31 December 2015	**1,979,174**	**525,210**	**296,031**	**138,840**	**9,803**	**2,949,058**
Net book value:						
At 31 December 2015	**-**	**8,521**	**-**	**70,096**	**-**	**78,617**
At 31 December 2014	138,125	9,272	-	716,220	-	863,617

During the year, the company transferred its portfolio management system asset to London Diversified Fund Management LLP a related party. The cost and depreciation transferred was £1,073,583 and £694,981 respectively and represents the assets net book value.

9. Fixed asset investments

Unlisted investments	At fair value £	At cost less impairment £	Unlisted investments £
At 1 January 2015	13,102,106	7,226,335	20,328,441
Fair value adjustments	80,069	-	80,069
At 31 December 2015	**13,182,175**	**7,226,335**	**20,408,510**

Included in the investments above at cost less impairment, £5,996,000 (2014: £5,996,000) represents the company's capital contribution in London Diversified Fund Management LLP (the "LLP"), a limited liability partnership incorporated in the United Kingdom. The aggregate amount of members' capital and other reserves of the LLP as at 31 December 2015 amounted to £6,005,816 (2014: £6,003,816). The profit of the LLP available for distribution to members for the year ended 31 December 2015 amounted to £3,526,304 (2014: £3,138,008). The company does not control or exert significant influence over the LLP.

During the prior year, the company acquired investments of £1,230,335 in LDFM Co Invest Limited.

Included in the investments at cost less impairment above, £1,230,335 (2014: £1,230,335) represents the company's capital contribution in LDFM (Co Invest) I Limited (known as "Co Invest") a company incorporated in Jersey, Channel Islands. The profit and net assets of Co Invest for the year ended 31 December 2015 are £218,191 (period ended 31 December 2014: £12,849) and £6,994,079 (2014: £6,440,640) respectively.

Notes to the financial statements

For the year ended 31 December 2015

9. Fixed asset investments (continued)

The company has a 14% interest in the redeemable shares of Co Invest and does not control nor exert significant influence over the entity.

During the prior year the company also disposed of £611,350 of the London Select Fund Limited recognising a profit on disposal of £76,623.

At 31 December 2015 the market value of the investments was £3,615,712 (£2014: £3,466,437) in London Select Fund Limited, and £9,566,463 (2014: £9,635,669) in London Diversified Fund Limited. Included within the amount in relation to London Diversified Fund Limited were amounts relating to the sidepocket of the Fund which is only redeemable upon realisation of the underlying investments. These amounted to £233,230 (2014: £346,475).

10. Debtors

	2015	2014
	£	£
Due with in one year		
Amounts due from London Diversified Fund Management LLP	1,672,329	739,169
Corporation tax	300,501	255,538
Other debtors	185,537	58,528
VAT recoverable	4,516	114,274
Rent deposit	307,678	848,585
Prepayments and accrued income	198,571	435,601
	2,669,132	**2,451,695**
Due after more than one year		
Reimbursement asset (note 16)	29,811,960	29,190,570
	29,811,960	**29,190,570**
Total debtors	**32,481,092**	**31,642,265**

11. Creditors

	2015	2014
	£	£
Due within one year		
EBT settlement liability (note 16)	31,361,881	-
Trade creditors	103,662	86,111
Other creditors	375,687	982,707
Accruals and deferred income	828,305	838,654
Taxation and social security	150,469	27,707
	32,820,004	**1,935,179**

Notes to the financial statements

For the year ended 31 December 2015

12. Financial instruments

	2015 £	2014 £
Financial assets		
Financial assets measured at fair value	98,199,695	96,174,310
Financial assets that are debt instruments measured at amortised cost	39,203,839	38,063,186
	137,403,534	**134,237,496**
Financial liabilities		
Financial liabilities measured at fair value	53,655,639	83,072,204
Financial liabilities that are measured at amortised cost	31,991,699	1,096,525
	85,647,338	**84,168,729**

The fair value of the unlisted fixed asset investments are determined using the market value of the fund units.

13. Called up share capital

	2015 £	2014 £
Allotted, issued and fully paid: 1 ordinary share of £1	**1**	**1**

14. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances:

	2015 £	2014 £
Cash at bank	**554,492**	**524,141**

15. Operating lease commitments

At 31 December 2015, the company had future minimum rentals under non-cancellable operating leases as set out below:

	2015 £	2014 £
Minimum rentals payable		
Within one year	-	549,800
Between two and five years	-	-

Notes to the financial statements

For the year ended 31 December 2015

16. Provisions for liabilities and charges

	Employee benefit trust & Employee retirement plan £	Social security tax provision £	Total £
At 31 December 2014	83,072,204	29,952,415	113,024,619
Fair value adjustments	1,945,316	-	1,945,316
Increase in provision	-	621,390	621,390
	85,017,520	**30,573,805**	**115,591,325**
Amount to be transferred to the company to settle liability with HMRC (note 11)	(31,361,881)	-	(31,361,881)
At 31 December 2015	**53,655,639**	**30,573,805**	**84,229,444**

The company established an Employee Benefit Trust (EBT) in 2003 for the principal benefit of existing and future employees.

The company reflected an asset of £85,017,520 (2014: £83,072,204), previously held at cost less impairment at £39,710,745 representing the fair value of assets purchased by the Employee Benefit Trust (EBT) at cost and an equivalent obligation representing amounts due to employees, in respect of the trust at the year end. The asset has been reflected within fixed assets and the obligation as a provision for liabilities and charges in the statement of financial position. During the 2011 year end accounts, the LDFM Executive Retirement Plan (ERP) was set up in relation to a sub-fund of the EBT and assets with a market value of £18,378,604 were transferred from the EBT to the ERP.

During the year the company made no payments on behalf of the EBT or ERP. As at 31 December 2015, the market value of the assets held by the EBT and ERP were £61,740,547 (2014: £60,513,196) and £23,276,973 (2014: £22,559,008) respectively.

The social security provision relates to the potential payment of PAYE and NIC in relation to a Share Scheme Award established by London Diversified Fund Management (UK) Limited set up in 2004. The directors and one former director of the company agree to honour £29,811,960 (2014: £29,190,570) of the liability should payment become due and this reimbursement is recognised as an asset in note 10.

Subsequent to the year end on 25 January 2016, the company entered into a settlement agreement with HMRC that settled the company's PAYE, NIC and IHT position in respect of the EBT. The total amount directly payable to HMRC as a result of this settlement is £31,361,881 which is due for payment to HMRC by 27 May 2016. The amounts due to be paid are to be funded out of the EBT in accordance with an indemnity between the company and the EBT, and is included above and in notes 10 and 11.

17. Pensions

The pension cost charged during the year amounted to £4,928 (2014: £Nil). The amounts outstanding at the year end were £1,486 (2014: £Nil), included in other creditors.

Notes to the financial statements

For the year ended 31 December 2015

18. Related party transactions

The company is a member of London Diversified Fund Management LLP, a limited liability partnership registered in England and Wales. Expense reimbursements and profit share income received from London Diversified Fund Management LLP are disclosed on the face of the Statement of income and retained earnings. Amounts outstanding at the year end are disclosed in note 10.

David Gorton, a director of London Diversified Fund Management (UK) Limited, is also a designated member of BH-DG Systematic Trading LLP. During the year, the company charged BH-DG Systematic Trading LLP net expenses in the amount of £1,737 (2014: incurred £55,014). At the year end, BH-DG Systematic Trading LLP owed the company £1,737 (2014: due to BH-DG Systematic Trading LLP £55,014) to the company which is included in debtors (2014: creditors).

Included within debtors is a reimbursement asset totalling £29,811,960 (2014: £29,190,570). This relates to the potential payment of tax, social security and accrued interest in relation to a share scheme established by the company in 2004. Certain participants who also happen to be directors of the company have provided personal guarantees for this amount which in the directors' opinion is virtually certain, should the liability arise.

During the prior year, the company acquired investments £1,230,335 in LDFM (Co Invest) I Limited a company incorporated in Jersey, Channel Islands. The investment represents the acquisition of 2,010,000 "B" ordinary redeemable shares at USD 1 per share. LDFM (Co Invest) I Limited is a fellow group undertaking of London Diversified Fund Management International Limited, and is also the company's ultimate controlling party. The investment is included within fixed asset investments (note 9).

18. Ultimate parent undertaking and controlling party

The company is a wholly-owned subsidiary of London Diversified Fund Management International Limited, a company incorporated in the Cayman Islands. London Diversified Fund Management International Limited is therefore considered the ultimate parent undertaking and controlling party.

19. Post balance sheet events

Subsequent to the year end on 25 January 2016 the company entered into a settlement agreement with HMRC that settled the company's PAYE, NIC and IHT position in respect of the EBT. The total amount directly payable to HMRC as a result of this settlement is £31,361,881 which is due for payment to HMRC by 27 May 2016. The amounts due to be paid are to be funded out of the EBT in accordance with an indemnity between the company and the EBT and is included in notes 10, 11 and 16.

Notes to the financial statements

For the year ended 31 December 2015

20. Transition to FRS 102

The company transitioned to FRS 102 from previously extant UK GAAP for the year ended 31 December 2015 and has restated the comparative prior year amounts. The impact from the transition to FRS 102 is as follows:

Reconciliation of equity

	31 December 2014 £	1 January 2014 £
Equity shareholders funds under previous UK GAAP	20,731,129	20,874,893
Fixed asset investments remeasured to fair value during 2013	78,125	78,125
Fixed asset investments remeasured to fair value during 2014	661,616	-
Equity shareholders funds under FRS 102	**21,470,870**	**20,953,018**

Reconciliation of statement of income and retained earnings for the year

	2014 £
Loss for the year ended under previous UK GAAP	(143,764)
Fixed asset investments remeasured to fair value	661,616
Profit for the year ended under FRS 102	**517,852**

The following were changes in accounting policies arising from the transition to FRS 102:

Fixed asset investments

In accordance with FRS 102, fixed asset investments which can be reliably measured and for which a valuation is readily available shall be measured at fair value at the statement of financial position date in the financial statements.

As detailed in notes 1.10, 1.11, 9 and 16, the company recognises contributions to the employee benefit trust ("the EBT") as a fixed asset investment. The EBT is re-measured at its fair value at the year end, with gains or losses taken to the statement of income and retained earnings. Contributions to the EBT were previously held at cost less impairment.

There was an uplift of £43,361,459 made to the opening balance of the EBT as a result the transition to FRS 102, and a further fair value increase of £1,945,316 in the year to 31 December 2015.

The increases in fair value of the EBT assets were matched by fair value increases in the corresponding liability, and therefore show £Nil impact on the net asset position.