

London Diversified Fund Management LLP

Registered Number OC302881

Members' Report and Financial Statements

For the period from 1 September 2011 to 31 December 2012



London Diversified Fund Management LLP

Registered Number OC302881

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Registered Number OC302881

Administrative information

Designated Members

D M Gorton
R C Standing
I Doran
London Diversified Fund Management (UK) Limited

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Bankers

Barclays Bank plc
155 Bishopsgate
London
EC2M 3XA

Solicitors

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Registered Office

4th Floor
Reading Bridge House
George Street
Reading
RG1 8LS

Registered Number OC302881

Members' report

For the period ended 31 December 2012

The members present their report and the audited financial statements for the sixteen month period ended 31 December 2012. The comparatives represent the results for the year ended 31 August 2011.

Principal activity and review of business

The principal activity of London Diversified Fund Management LLP (the "LLP") in the period under review was that of providing investment management services to two funds, London Diversified Fund Limited and London Select Fund Limited ("the Funds") and its associated managed accounts, for which it acts as trading advisor. London Diversified Fund Management (UK) Limited acts as service company to the LLP and is also a member of the LLP.

From October 2010 the LLP ceased to act as sub-investment manager for a managed account for a Brevan Howard fund in respect of systematic investment strategies. This part of the business was transferred to a new vehicle (BH-DG Systematic Trading LLP). However the historic performance fees for the period of the LLP's management made a contribution to the profitability of the LLP for the period.

Since October 2010, a number of the members of the LLP have also been appointed as members of BH-DG Systematic Trading LLP. Although the LLP manages funds using the same model as this new vehicle, the members are of the opinion that this does not constitute a conflict of interest.

The LLP shares a wide range of resources with the new vehicle, these being primarily staff and technology. Costs associated with these resources are shared between the two entities and are split on a percentage usage basis.

During the period the LLP ceased to provide investment management services to London Diversified Fund Limited ("LDFL"). The members responsible for managing LDFL established a new partnership, LDF Advisors LLP ("LDFA") in August 2011. These members have also been appointed as members of LDFA. LDFA assumed investment management responsibility for LDFL in April 2012.

The results for the period and the financial position at the period end were considered satisfactory by the members.

The members do not anticipate any change in the overall nature of the LLP's principal activity.

Results and allocation to members

The results for the period are shown in the profit and loss account on page 7. The LLP allocated £3,462,709 (2011 £2,525,746) of its profits to its members. The balance sheet as detailed on page 8 shows a satisfactory position. Members' other interests amount to £33,541,992 (2011 £31,466,520).

Any profits that have been shared amongst the members are decided by the Board, and governed by the Partnership Agreement dated 1 January 2008.

Policy for members' drawings, subscriptions and repayments of members' capital

Policies for members' drawings, subscriptions and repayment of members' capital are governed by the Partnership Agreement. In summary, the capital is contributed by each member upon admission to the Partnership and shall be repayable only at the absolute discretion of the Board. The Board also has sole discretion to determine and vary the level of each member's drawings.

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Members' report (continued)

For the period ended 31 December 2012

Members

The designated members of the LLP during the period and up to the date of this report were as follows

D M Gorton - (Board member)

R C Standing - (Board member)

I Doran

G Reynolds - (resigned as designated member on 1 April 2012)

London Diversified Fund Management (UK) Limited

Statement of disclosure of information to auditors

So far as each person who was a designated 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 auditor is unaware. Having made enquiries of fellow members, each member has taken all the steps that they are obliged to take as a member in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Going concern

The LLP has sufficient liquid resources and ongoing investment management and advisory contracts. The members are confident that the LLP will continue to meet its liabilities as they fall due for the foreseeable future and therefore prepare the financial statements on the going concern basis.

Pillar 3 disclosures

The unaudited Pillar 3 disclosures of the LLP as required by the FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) Chapter 11 - Disclosure (Pillar 3) are available on the LLP's website at <http://www.ldfm.com/>

Remuneration code disclosures

The remuneration code disclosures of the LLP as required by the FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) 11.5.18 and SYSC 19A - Disclosure obligations in relation to the remuneration of code staff, are available on the LLP's website at <http://www.ldfm.com/>

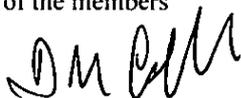
UK stewardship code disclosures

The UK stewardship code disclosures of the LLP as required by the FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) COBS 2.2.3 - Disclosure of commitments to the Financial Reporting Council's Stewardship Code are available on the LLP's website at <http://www.ldfm.com/>

Auditors

The auditors, BDO LLP, were appointed as independent auditors during the period. They have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the members' meeting held to approve these financial statements.

On behalf of the members



D M Gorton
Designated member

24 April 2013

Statement of designated members' responsibilities in respect of the financial statements

The designated members are responsible for preparing financial statements in accordance with applicable law and regulations

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

In preparing these financial statements, the members are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business in which case there should be supporting assumptions or qualifications as necessary, and
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements

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

Independent auditors' report

to the members of London Diversified Fund Management LLP

We have audited the financial statements of London Diversified Fund Management LLP (the "LLP") for the 16 month period ended 31 December 2012 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. 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).

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 by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. 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 auditors' 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of designated members' and auditors

As explained more fully in the designated members' responsibilities statement, the designated members 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 & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the limited liability partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the designated members, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Members' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion

- the financial statements give a true and fair view of the state of the LLP's affairs as at 31 December 2012 and of its profit for the 16 month period then ended,
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Independent auditors' report (continued)

to the members of London Diversified Fund Management LLP

Matters on which we are required to report by exception

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

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

BDO LLP

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

24 April 2013

Profit and loss account
for the period ended 31 December 2012

	<i>Notes</i>	<i>Period ended 31 December 2012 £</i>	<i>Year ended 31 August 2011 £</i>
Turnover			
Management and performance fees	2	12,632,250	9,365,022
Other income		<u>3,427,173</u>	<u>2,572,013</u>
		16,059,423	11,937,035
Expenses			
Administrative expenses		(962,608)	(559,788)
Profit/(loss) on disposal of investment		84,683	124,894
Expenses reimbursement to London Diversified Fund Management (UK) Limited		<u>(9,500,860)</u>	<u>(6,515,194)</u>
Operating profit	3	5,680,638	4,986,947
Interest receivable		35,910	17,876
Net foreign exchange losses		<u>(178,367)</u>	<u>(384,373)</u>
Profit for the financial period/year before members' remuneration and profit share available for discretionary division among members	4	<u>5,538,181</u>	<u>4,620,450</u>

All activities are derived from continuing operations

The LLP has no recognised gains or losses other than the profit shown above and therefore no separate statement of total recognised gains and losses has been presented

Balance sheet

As at 31 December 2012

	Notes	As at 31 December 2012 £	As at 31 August 2011 £
Current assets			
Investments	5	6,509,435	6,563,033
Debtors	6	18,928,846	17,526,096
Cash at bank		<u>8,211,795</u>	<u>8,260,922</u>
		33,650,076	32,350,051
Current liabilities			
Creditors: amounts falling due within one year	7	<u>(108,084)</u>	<u>(883,531)</u>
Net assets attributable to members		<u>33,541,992</u>	<u>31,466,520</u>
Represented by			
Members' other interests			
Members' capital classified as equity	8	29,371,816	29,371,816
Members' other interests - other reserves classified as equity	8	<u>4,170,176</u>	<u>2,094,704</u>
		<u>33,541,992</u>	<u>31,466,520</u>
Total members' interests			
Amounts due from members	8	(11,884,406)	(13,130,166)
Members' other interests	8	<u>33,541,992</u>	<u>31,466,520</u>
		<u>21,657,586</u>	<u>18,336,354</u>

The financial statements were approved by the members on 24 April 2013 and were signed on their behalf by



D M Gorton
Designated member

Cash flow statement

For the period ended 31 December 2012

		<i>Period ended 31 December 2012</i>	<i>Year ended 31 August 2011</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Net cash inflow from operating activities	<i>9 (a)</i>	2,171,998	2,644,443
Return on investments and servicing of finance	<i>9 (b)</i>	174,191	338,730
Transactions with members	<i>9 (b)</i>	<u>(2,216,949)</u>	<u>(2,801,653)</u>
Increase in cash during the period/year	<i>9 (c)</i>	<u>129,240</u>	<u>181,520</u>

Reconciliation of net cash flow to movement in net funds

		<i>Period ended 31 December 2012</i>	<i>Year ended 31 August 2011</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>
Increase in cash in the period/year		<u>129,240</u>	<u>181,520</u>
Change in net funds resulting from cash flows		129,240	181,520
Exchange differences	<i>9 (c)</i>	<u>(178,367)</u>	<u>(384,373)</u>
Movement in net funds		(49,127)	(202,853)
Net funds at start of period/year	<i>9 (c)</i>	<u>8,260,922</u>	<u>8,463,775</u>
Net funds at end of period/year	<i>9 (c)</i>	<u>8,211,795</u>	<u>8,260,922</u>

Notes to the financial statements

For the period ended 31 December 2012

1. Accounting policies

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with applicable accounting standards and the requirements of the Statement of Recommended Practice 'Accounting for Limited Liability Partnerships' issued in March 2010

Investments

Current assets investments are held at the lower of cost or net realisable value

Foreign currencies

Monetary assets and liabilities denominated in foreign currency are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates of exchange ruling at the date of the transaction. All foreign exchange differences are taken to the profit and loss account

Appropriations

Appropriations to members are recognised as at the date of approval by the Board

Revenue recognition

Management fee income from the funds and managed accounts for which the LLP acts as trading advisor is recognised on a monthly accruals basis. Performance fee income is recognised following its crystallisation which for London Diversified Fund Limited and London Select Fund Limited is quarterly and for the managed accounts that were in place during the year is annually. All other material sources of income are recognised on an accruals basis

Expense reimbursement

London Diversified Fund Management LLP reimburses all expenses incurred by London Diversified Fund Management (UK) Limited on its behalf on a monthly basis in accordance with the provisions of the LLP deed

Taxation

No provision has been made for taxation in the financial statements. Each member is exclusively liable for any tax liabilities arising out of their interest in the LLP. Tax is assessed on the individual members and not on the LLP

Going concern

The LLP has sufficient liquid resources and ongoing investment management and advisory contracts. The members are confident that the LLP will continue to meet its liabilities as they fall due for the foreseeable future and therefore prepare the financial statements on the going concern basis

Notes to the financial statements

For the period ended 31 December 2012

2. Turnover

Turnover, which is stated net of value added tax, represents fees for investment management and advisory services provided during the period and facility recharges. Management fees and facility recharges are recognised on a receivable basis and performance fees are accrued when they crystallise. All turnover in the period arose from continuing activities performed in the United Kingdom, being the supply of fund management services to offshore funds and facilities recharges to BH-DG Systematic Trading LLP.

Turnover also includes other income which comprises recharges for costs incurred by the LLP on behalf of other entities, accounted for on an accruals basis.

3. Operating profit

Operating profit is stated after charging

	<i>Period ended 31 December 2012</i>	<i>Year ended 31 August 2011</i>
	£	£
Auditors' remuneration		
- Audit services – current year audit	18,000	26,000

4. Members' remuneration

A member's share in the profit or loss for the period is accounted for as an allocation of profits or losses. Any unallocated losses are distributed amongst the founder members in accordance with the LLP deed.

Amounts due to members in respect of equity participation rights, following a discretionary division of profits, are debited to equity and credited to members' current accounts in the period when the allocation occurs. Unallocated profits and losses are included within 'other reserves' and are included in equity. Any drawings paid in respect of these unallocated profits are included within debtors.

	<i>Period ended 31 December 2012</i>	<i>Year ended 31 August 2011</i>
	£	£
Profit for the financial period/year before members' remuneration and profit share and available for division among members	5,538,181	4,620,450

The average number of members in the year was 9 (2011: 9)

The 2012 profit allocation entitlements are yet to be finalised. An interim profit allocation was made during the period, with the profit attributable to the member with the largest entitlement being £606,811. During the period, the 2011 entitlement to profit was also finalised, with the total profit attributable to the member with the highest entitlement to profit being £2,918,241.

Notes to the financial statements

For the period ended 31 December 2012

5. Current asset investments

	<i>31 December</i> 2012	<i>31 August</i> 2011
	£	£
At start of period/year	6,563,033	6,758,993
Additions	152,542	41,085
Disposals	<u>(206,140)</u>	<u>(237,045)</u>
At end of period/year	<u>6,509,435</u>	<u>6,563,033</u>

At 31 December 2012 the market value of the investments was £3,498,342 (2011 £3,423,542) in London Select Fund Limited and £3,553,848 (2011 £3,305,146) 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 £207,958 (2011 £135,950).

6. Debtors

	<i>31 December</i> 2012	<i>31 August</i> 2011
	£	£
Amounts due from members	11,884,406	13,130,166
Trade debtors	2,309,404	1,996,990
Other debtors	2,843,868	722,542
Prepayments and accrued income	<u>1,891,168</u>	<u>1,676,398</u>
	<u>18,928,846</u>	<u>17,526,096</u>

7. Creditors: amounts falling due within one year

	<i>31 December</i> 2012	<i>31 August</i> 2011
	£	£
Trade creditors	7,200	624,977
Other creditors	90,084	231,054
Accruals	<u>10,800</u>	<u>27,500</u>
	<u>108,084</u>	<u>883,531</u>

Notes to the financial statements

For the period ended 31 December 2012

8. Reconciliation of movements in members' other and members' total interests

	<i>Members' capital</i>	<i>Other reserves</i>	<i>Total members' other interests</i>	<i>Loans and other amounts due to/(from) members</i>	<i>Members' total interests</i>
	£	£	£	£	£
At 1 September 2010	29,370,816	-	29,370,816	(12,853,259)	16,517,557
Profit for the year	-	4,620,450	4,620,450	-	4,620,450
Other divisions of profit	-	(2,525,746)	(2,525,746)	2,525,746	-
Net distribution	-	-	-	(2,802,653)	(2,802,653)
Net capital contributions	1,000	-	1,000	-	1,000
At 31 August 2011	29,371,816	2,094,704	31,466,520	(13,130,166)	18,336,354
Profit for the period	-	5,538,181	5,538,181	-	5,538,181
Other divisions of profit	-	(3,462,709)	(3,462,709)	3,462,709	-
Drawings	-	-	-	(3,462,709)	(3,462,709)
Other movements	-	-	-	1,245,760	1,245,760
At 31 December 2012	29,371,816	4,170,176	33,541,992	(11,884,406)	21,657,586

Other movements relate to movements in the balance owed by the corporate member, London Diversified Fund Management (UK) Limited, as described in note 10

Amounts due to members are not subordinated

9. Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	<i>Period ended 31 December 2012</i>	<i>Year ended 31 August 2011</i>
	£	£
Operating profit	5,680,638	4,986,947
Profit on disposal of investments	(84,683)	(124,894)
Increase in debtors	(2,648,510)	(3,066,633)
(Decrease)/increase in creditors	(775,447)	849,023
Net cash inflow from operating activities	2,171,998	2,644,443

Notes to the financial statements

For the period ended 31 December 2012

9. Notes to the statement of cash flows (continued)

(b) Analysis of cash flows for headings netted in the cash flow statement

	<i>Period ended</i> <i>31 December</i> <i>2012</i> £	<i>Year ended</i> <i>31 August</i> <i>2011</i> £
Returns on investments and servicing of finance		
Interest received	35,910	17,876
Payments to acquire current asset investments	(152,542)	(41,085)
Proceeds on disposal of current asset investments	290,823	361,939
	<u>174,191</u>	<u>338,730</u>
Transactions with members		
Net contributions from members	-	1,000
Payments to members	(3,462,709)	(2,802,653)
Other movements	1,245,760	-
	<u>(2,216,949)</u>	<u>(2,801,653)</u>

(c) Analysis of changes in net funds

	<i>At 1 September</i> <i>2011</i> £	<i>Cash flow</i> £	<i>Exchange</i> <i>Differences</i> £	<i>At</i> <i>31 December</i> <i>2012</i> £
Cash at bank	<u>8,260,922</u>	<u>129,240</u>	<u>(178,367)</u>	<u>8,211,795</u>

10. Related party transactions

During the period the LLP reimbursed expenses of £9,500,860 (2011 £6,515,194) to London Diversified Fund Management (UK) Limited, a designated member of the LLP. At 31 December 2012, £11,883,406 was due from London Diversified Fund Management (UK) Limited in the form of drawings in advance of profit (2011 £13,129,166)

£170,000 (2011 £170,000) was also due to the LLP in the form of a loan advanced to a former member, which is included in debtors

David Gorton, a designated member of the LLP, is also a member of BH-DG Systematic Trading LLP. During the period, the LLP charged BH-DG Systematic Trading LLP facility charges of £1,696,233 (2011 £1,664,158) and also incurred facility charges from BH-DG Systematic Trading LLP of £876,865 (2011 £508,889). At 31 December 2012, a net amount of £2,045,866 was due from BH-DG Systematic Trading LLP which is included within debtors (2011 £1,996,990 was due from and £624,977 was due to BH-DG Systematic Trading LLP and which were included within debtors and creditors respectively)

Rob Standing, a designated member of the LLP, is also a designated member of LDF Advisers LLP. During the period, the LLP charged LDF Advisers LLP facility charges of £644,308 (2011 £nil). At 31 December 2012, LDF Advisers LLP owed the LLP £228,003 (2011 £nil) which is included in debtors

Notes to the financial statements

For the period ended 31 December 2012

11. Ultimate controlling party

The designated members are considered to be the controlling parties

12. Post balance sheet events

On 24 January 2013, the LLP received approval from the Financial Services Authority to waive £23,371,000 of capital. As of 31 January 2013, the capital of the LLP was reduced to £6,000,816

On 1 February 2013, the LLP's investments in London Diversified Fund Limited and London Select Fund Limited were transferred to London Diversified Fund Management (UK) Limited as part of this repayment of capital