

**Mountgrange Investment Management LLP**  
**Financial Statements**  
**31 March 2018**

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# **Mountgrange Investment Management LLP**

## **Financial Statements**

**Year ended 31 March 2018**

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# Mountgrange Investment Management LLP

## Members' Report

### Year ended 31 March 2018

The members present their report and the financial statements of the LLP for the year ended 31 March 2018.

#### Principal activities

The principal activity of the LLP is the provision of management services to the private equity fund Mountgrange Real Estate Opportunity Fund LP ("the Fund") which invests in real estate opportunities in the UK.

The LLP was incorporated in England and Wales on 22 August 2007.

This report covers the year ended 31 March 2018

#### Review of the Business

The key financial and other performance indicators during the year were as follows:

	2018 £	2017 £	% Change
Turnover	954,560	860,089	+11%
Administrative Expenses	513,701	726,678	-29%
Members Remuneration	444,179	136,287	+226%
Cash at bank	1,230,631	1,079,343	+14%
Members Capital	1,534,913	1,540,913	-0.4%

Turnover primarily represents fund management fees received from investments. As the investments are being realised the turnover is expected to decrease.

The LLP has an arrangement with Clearbell Capital LLP ("CCLLP"), for it to share the operating services of CCLLP. These costs are decreasing in line with the reducing turnover. The five executive members of the LLP are also members of CCLLP.

#### Results and Dividends

The group profit for the year before members' remuneration, profit shares and taxation was £444,179 (2017: £136,287).

#### Future Developments

Under the terms of the Fund's partnership agreement, the Advisory Committee approved the Fund's life to be extended by one year to April 2019, to allow additional investments time to be sold. The LLP will continue as manager of the Fund during the Fund's life and throughout the Fund's liquidity period when the members intend to wind down the activities of the LLP in an orderly manner.

#### Going Concern

The group's business activities together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to price, credit, liquidity and cash flow risk are described in note 14 on page 18 of these accounts.

# **Mountgrange Investment Management LLP**

## **Members' Report** *(continued)*

**Year ended 31 March 2018**

### **Designated members**

The designated members who served the LLP during the year were as follows:

Mr M Chande  
Mr M Myers

### **Other Members**

Mr N Berry  
Ms S Doyle-Linden  
Mr R Mills  
Mr R West  
Mountgrange UK Limited (in Administration)  
Oyster Bay Management Limited

### **Policy regarding members' drawings and the subscription and repayment of amounts subscribed or otherwise contributed by members**

The allocation of profits and losses are determined by the Designated Members in accordance with provisions set out in the Limited Liability Partnership Deed dated 29 February 2008 as amended from time to time (together, the "Deed"). This members' agreement sets out that all profits are to be allocated to members in such proportion as is specified in their Deed of Adherence or the Deed and the remainder to the Designated Members. Any losses shall be allocated to the Designated Members.

Distributions of profit can be made at the discretion of the Designated Members, taking into account the anticipated needs of the LLP and having regard to drawings already made in that financial year.

As at 31 March 2018 members' capital contributions amounted to £1,534,913 (2017: £1,540,913).

Under the terms of the Deed

- a) Members' capital contributions may be repaid by agreement of the Designated Members or otherwise on a member ceasing to be a member or on termination and dissolution of the LLP. If the LLP is dissolved no member shall be liable to contribute further to the assets of the LLP other than as required by law.
- b) Members' loans and any loans replaced by capital shall, subject to retaining assets for anticipated working capital requirements and other expenditure, be repaid out of profits after payment of distributions due to members in accordance with the Deed.

### **Members' responsibilities statement**

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 Regulations) require the members to prepare financial statements for each financial year. Under the law the members have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the group and LLP and of the profit or loss of the group for that period.

# Mountgrange Investment Management LLP

## Members' Report *(continued)*

Year ended 31 March 2018

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the 2008 Regulations. 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.

### SEC registration

The LLP is registered as an 'Exempt Reporting Advisor' under the Securities and Exchange Commission ("SEC"). Registration as an Exempt Reporting Advisor requires the LLP to maintain records and file reports with the SEC regarding the Fund for the protection of investors and the assessment of systematic risk. Registered advisers are required to implement certain compliance policies such as codes of ethics and risk inventories.

The members confirm that:

- so far as each Member is aware, there is no relevant audit information of which the LLP's auditors are unaware; and
- the Members have taken all steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### Auditor

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006 as applied to LLPs by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

This report was approved by the members on 27 June 2018 and signed on behalf of the members by:



Mr M Chande  
Designated Member

Registered office:  
2 Harewood Place  
London  
W1S 1BX

# **Mountgrange Investment Management LLP**

## **Independent Auditor's Report to the Members of Mountgrange Investment Management LLP**

**Year ended 31 March 2018**

### **Opinion**

We have audited the financial statements of Mountgrange Investment Management LLP (the 'Limited Liability Partnership') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the consolidated statement of comprehensive income, consolidated and LLP statements of financial position, consolidated reconciliation of members' interest, and consolidated statement of cash flows, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 (FRS102) "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the limited liability partnership's affairs as at 31 March 2018 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

### **Basis for opinion**

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

### **Who we are reporting to**

This report is made solely to the limited liability partnership's 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 limited liability partnership'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 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.

### **Conclusions relating to going concern**

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

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

# **Mountgrange Investment Management LLP**

## **Independent Auditor's Report to the Members of Mountgrange Investment Management LLP *(continued)***

**Year ended 31 March 2018**

### **Other information**

The members are responsible for the other information which comprises the information included in the annual 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, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### **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

### **Responsibilities of members for the financial statements**

As explained more fully in the members' responsibilities statement, 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 LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

# **Mountgrange Investment Management LLP**

## **Independent Auditor's Report to the Members of Mountgrange Investment Management LLP** *(continued)*

**Year ended 31 March 2018**

### **Auditor's responsibilities for the audit of the financial statements**

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

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



Philip Westerman BA ACA  
Senior Statutory Auditor  
For and on behalf of  
Grant Thornton UK LLP  
Statutory Auditor, Chartered  
Accountants  
London

**27** June 2018



# Mountgrange Investment Management LLP

## Consolidated Statement of Comprehensive Income

Year ended 31 March 2018

	Note	2018 £	2017 £
Turnover	3	954,560	860,089
Administrative expenses		(513,701)	(726,678)
<b>Operating profit</b>	<b>4</b>	<b>440,859</b>	<b>133,411</b>
Other interest receivable and similar income		3,320	2,876
Tax on profit on ordinary activities	8	—	—
<b>Profit for the financial year before taxation and after members' remuneration and profit shares</b>		<b>444,179</b>	<b>136,287</b>
Members remuneration charged as an expense	7	(444,179)	(136,287)
<b>Profit for the financial year available for discretionary division amongst members</b>		<b>—</b>	<b>—</b>
Other comprehensive income		—	—
<b>Total Comprehensive Income for Year</b>		<b>—</b>	<b>—</b>

All the activities of the group are from continuing operations.

The group had no recognised gains or losses in the period other than the gain for the period.

The notes on pages 12 to 20 form part of these financial statements.

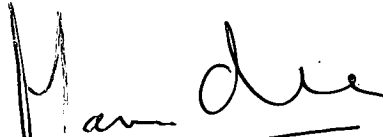
# Mountgrange Investment Management LLP

## Consolidated Statement of Financial Position

31 March 2018

	Note	2018 £	£	2017 £
<b>Fixed assets</b>				
Investments	9		-	-
			-	-
<b>Current assets</b>				
Debtors	10	827,139		1,385,665
Cash at bank and in hand	12	1,230,631		1,079,343
<b>Current Assets</b>		<b>2,057,770</b>		<b>2,465,008</b>
<b>Creditors: amounts falling due within one year</b>	11	<b>(522,857)</b>		<b>(924,095)</b>
<b>Net current assets</b>			<b>1,534,913</b>	<b>1,540,913</b>
<b>Total assets less current liabilities</b>			<b>1,534,913</b>	<b>1,540,913</b>
<b>Net assets attributable to members</b>			<b>1,534,913</b>	<b>1,540,913</b>
<b>Represented by:</b>				
<b>Loans and other debts due to members</b>				
Members' capital classified as a liability			<b>1,534,913</b>	<b>1,540,913</b>
			<b>1,534,913</b>	<b>1,540,913</b>
<b>Total members' interests</b>				
Amounts due from members			<b>(516,941)</b>	<b>(895,020)</b>
Loans and other debts due to members			<b>1,534,913</b>	<b>1,540,913</b>
			<b>1,017,972</b>	<b>645,893</b>

These financial statements were approved by the members and authorised for issue on ~~27~~ June 2018, and are signed on their behalf by:

  
Mr M Chande  
Designated Member

Registered number: OC330804

The notes on pages 12 to 20 form part of these financial statements.

# Mountgrange Investment Management LLP

## LLP Statement of Financial Position

31 March 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Investments	9	36	36
		<u>36</u>	<u>36</u>
<b>Current assets</b>			
Debtors	10	827,139	1,385,665
Cash at bank and in hand	12	1,230,631	1,079,343
		<u>2,057,770</u>	<u>2,465,008</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(522,893)</u>	<u>(924,131)</u>
<b>Net current assets</b>		<u>1,534,877</u>	<u>1,540,877</u>
<b>Total assets less current liabilities</b>		<u>1,534,877</u>	<u>1,540,877</u>
<b>Net assets</b>		<u>1,534,913</u>	<u>1,540,913</u>
<b>Represented by:</b>			
<b>Loans and other debts due to members</b>			
Members' capital classified as a liability		1,534,913	1,540,913
		<u>1,534,913</u>	<u>1,540,913</u>
<b>Total members' interests</b>			
Amounts due from members		(516,941)	(895,020)
Loans and other debts due to members		1,534,913	1,540,913
		<u>1,017,972</u>	<u>645,893</u>

These financial statements were approved by the members and authorised for issue on 23 June 2018, and are signed on their behalf by:

The parent entity has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss account. The result for the year ended 31 March 2018 was £nil (2017: £nil)

Mr M Chande  
Designated Member

Registered number: OC330804

The notes on pages 12 to 20 form part of these financial statements.

# Mountgrange Investment Management LLP

## Reconciliation of Members' Interest

31 March 2018

	Members capital	Amounts due from members	Total
<b>Group &amp; LLP</b>	£	£	£
Balance at 1 April 2017	1,540,913	(895,020)	645,893
Members' remuneration charged as an expense	-	444,179	444,179
Members' interests after profit for the year	1,540,913	(450,841)	1,090,072
Capital repaid by members	(6,000)	-	(6,000)
Drawings	-	(66,100)	(66,100)
Balance at 31 March 2018	1,534,913	(516,941)	1,017,972

	Members capital	Amounts due from members	Total
<b>Group &amp; LLP</b>	£	£	£
Balance at 1 April 2016	1,540,913	(1,011,307)	529,606
Members' remuneration charged as an expense	-	136,287	136,287
Members' interests after profit for the year	1,540,913	(875,020)	665,893
Addition to member's loan	-	(20,000)	(20,000)
Drawings	-	(20,000)	(20,000)
Balance at 31 March 2017	1,540,913	(895,020)	645,893

Members' capital contributions may be repaid by agreement of the Designated Members or otherwise on a member ceasing to be a member or on termination and dissolution of the LLP. If the LLP is dissolved no member shall be liable to contribute further to the assets of the LLP other than as required by law.

Members' loans and any loans replaced by capital shall, subject to retaining assets for anticipated working capital requirements and other expenditure, be repaid out of profits after payment of distributions due to members in accordance with the Deed.

Members capital of £6,000 was repaid to Mountgrange UK Limited during the year.

Members' capital contributions of £1,534,913 (2017: £1,540,913) comprises capital contributions of £1,534,609 from Mountgrange UK Limited, £100 each from Manish Chande, Martin Myers and Oyster Bay, and £1 from each of the other members.

The notes on pages 12 to 20 form part of these financial statements.

# Mountgrange Investment Management LLP

## Consolidated Statement of Cash Flows

Year ended 31 March 2018

	Note	2018 £	2017 £
Cash generated from operating activities	12	220,068	204,393
Profit for the financial year available for discretionary division among members		—	—
<b>Adjustments for:</b>			
Interest received		3,320	2,876
Net cash from operating activities before transactions with members		<u>223,388</u>	<u>207,272</u>
<b>Cash flows from financing activities</b>			
Repayment of Partners' capital		(6,000)	—
Members' drawings		(66,100)	(20,000)
Net cash used in financing activities		<u>(72,100)</u>	<u>(20,000)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>151,288</b>	<b>187,273</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,079,343</b>	<b>892,070</b>
<b>Cash and cash equivalents at end of year</b>		<b><u>1,230,631</u></b>	<b><u>1,079,343</u></b>

The notes on pages 12 to 20 form part of these financial statements.

# **Mountgrange Investment Management LLP**

## **Notes to the Financial Statements**

**Year ended 31 March 2018**

### **1. Statement of compliance**

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', and the requirements of the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' issued in July 2014 (SORP 2014).

### **2. Accounting policies**

#### **Basis of preparation**

Mountgrange Investment Management LLP is a limited liability partnership registered in the United Kingdom. The registered office of the partnership is 2 Harewood Place, London, W1S 1BX

Assets and liabilities are recognised in the accounts where, as a result of past transactions or events, the LLP has rights or other access to future economic benefits controlled by the LLP, or obligations to transfer economic benefits.

The financial statements are prepared in sterling, which is the functional currency of the entity.

#### **Basis of Consolidation**

The group financial statements consolidate the financial statements of the LLP and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

A number of the subsidiaries are General Partners of the Fund Limited Partnerships which technically fall within the definition of subsidiary undertakings as defined by the Companies Act and Financial Reporting Standard No. 102 ("FRS 102"). The Act and FRS 102 require the consolidation of all subsidiary undertakings. However, the LLP does not consider the accounts would present a true and fair view if the Limited Partnerships and underlying investments were to be fully consolidated.

#### **Going concern**

The members have a reasonable expectation that the LLP and the group have adequate resources to continue in operational existence for a period of at least twelve months. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Significant judgements and estimates**

In determining the carrying amount of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. The disclosure excludes uncertainty over future events and judgments in respect of measuring financial instruments. The directors consider, in relation to the requirement to disclose the remuneration of key management personnel, that the key management comprise the board of directors. Details of members remuneration are disclosed in note 7. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty are set out in the notes to these accounts.

# **Mountgrange Investment Management LLP**

## **Notes to the Financial Statements *(continued)***

**Year ended 31 March 2018**

### **2. Accounting policies *(continued)***

#### **Cash and cash equivalents**

Cash and cash equivalents in the Statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity of three months or less. For the purpose of the consolidated cash flow statements, cash and cash equivalents consist of cash equivalents as defined above, net of outstanding bank overdrafts.

#### **Revenue recognition**

Turnover represents amounts receivable for services provided in the normal course of business, exclusive of VAT and similar charges. Revenue and forecast income is spread over the life of the fund in line with services provided. The LLP has deferred £400,000 of income at the balance sheet date (2017: £800,000).

#### **Members' participation rights**

Members' participation rights are the rights of a member against the LLP 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 LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with Section 22 of FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', and the requirements of the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships'. A member's participation right results in a liability unless the right to any payment is discretionary on the part of the LLP.

Amounts subscribed or otherwise contributed by members, for example members' capital, are classed as equity if the LLP has an unconditional right to refuse payment to members. If the LLP does not have such an unconditional right, such amounts are classified as liabilities.

Where profits are automatically divided as they arise, so the LLP does not have an unconditional right to refuse payment, the amounts arising that are due to members are in the nature of liabilities. They are therefore treated as an expense in the statement of comprehensive income in the relevant year. To the extent that they remain unpaid at the year end, they are shown as liabilities in the statement of financial position.

Conversely, where profits are divided only after a decision by the LLP or its representative, so that the LLP has an unconditional right to refuse payment, such profits are classed as an appropriation of equity rather than as an expense. They are therefore shown as a residual amount available for discretionary division among members in the statement of comprehensive income and are equity appropriations in the statement of financial position.

Other amounts applied to members, for example remuneration paid under an employment contract and interest on capital balances, are treated in the same way as all other divisions of profits, as described above, according to whether the LLP has, in each case, an unconditional right to refuse payment.

# **Mountgrange Investment Management LLP**

## **Notes to the Financial Statements *(continued)***

**Year ended 31 March 2018**

### **2. Accounting policies *(continued)***

All amounts due to members that are classified as liabilities are presented in the statement of financial position within 'Loans and other debts due to members' and are charged to the statement of comprehensive income within 'Members' remuneration charged as an expense'. Amounts due to members that are classified as equity are shown in the statement of financial position within 'Members' other interests'.

#### **Investments**

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

#### **Investments in subsidiaries**

The consolidated financial statements incorporate the financial statements of the LLP and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

#### **Debtors**

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.

#### **Creditors**

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### **Taxation**

Tax payable on profits of the LLP is the personal liability of the partners.

UK Corporation tax is provided in respect of corporate subsidiaries are amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.



# Mountgrange Investment Management LLP

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

### 2. Accounting policies *(continued)*

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements except that:

- Where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/asset shall be recognised. The amount attributable to goodwill is adjusted by the amount of deferred tax recognised; and
- Unrelieved tax losses and other deferred tax assets are recognised only to the extent that members consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted at the reporting date.

### 3. Turnover

Turnover arises from:

	2018 £	2017 £
Asset management fees	954,560	860,089
	<u>954,560</u>	<u>860,089</u>

Turnover, profits and losses for the year before members' remuneration and profit shares are all derived from fund management activities. All turnover originated in the United Kingdom.

### 4. Operating profit

Operating profit is stated after charging:

	2018 £	2017 £
Recharged operating costs from Clearbell Capital and its subsidiaries	451,477	674,779
	<u>451,477</u>	<u>674,779</u>

As permitted by section 408 of the Companies Act 2006, the LLP has not presented its own profit and loss account. The profit of the LLP for the year was £nil (2016: £nil).

### 5. Auditor's remuneration

	2018 £	2017 £
Fees payable for the audit of the financial statements	25,350	25,000
Non audit fees – taxation compliance	<u>12,238</u>	<u>10,214</u>

# Mountgrange Investment Management LLP

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

### 6. Staff costs

The average number of persons employed by the LLP during the year was nil (2017: nil).

### 7. Information in relation to members

	2018 £	2017 £
Highest paid members remuneration	<u>89,788</u>	<u>112,574</u>

	2018 No.	2017 No.
Average number of members	<u>8</u>	<u>8</u>

#### Members remuneration charges as an expense

	2018 £	2017 £
Automatic allocation of profits	<u>444,179</u>	<u>136,287</u>

### 8. Taxation on ordinary activities

No tax is payable on the profits of the LLP.

# Mountgrange Investment Management LLP

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

### 9. Investments

#### Subsidiaries, associates and other investments

The LLP has investments in the following subsidiary undertakings as at 31 March 2018:

Company	Principal Activity	Shareholding
Mountgrange GP Limited	General partner of Mountgrange Real Estate Opportunity Fund LP	100%
Mountgrange (S) GP Limited	General partner of Mountgrange Real Estate Opportunity Fund (S) LP	100%
Mountgrange Co-Investment GP Limited	General partner of MoREOF Co-Investment LP	100%
MoREOF (Parallel II) GP Limited	General partner of MoREOF (Parallel II) LP	100%
Mountgrange IOM Manager Limited	Manager of MoREOF (Parallel I) Unit Trust	100%
MoREOF Trustees One Limited	Trustee of MoREOF (Parallel I) Unit Trust	100%
MoREOF GP2 LLP	Second general partner to the Limited Partnerships	100%

The entities listed above are registered in England and Wales (2 Harewood Place, London, W1S 1BX) except Mountgrange (S) GP Limited which is registered in Scotland (1 Exchange Crescent, Conference Square, Edinburgh, EH3 8UL) and Mountgrange IOM Manager Limited and MoREOF Trustees One Limited which are both registered in the Isle of Man (First Names House, Victoria Road, Douglas, IM2 4DF).

### 10. Debtors

	Group		LLP	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	139,864	438,791	139,864	438,791
VAT recoverable	1,248	35,199	1,248	35,199
Amounts due from related parties	12,833	12,835	12,833	12,835
Other debtors	26	27	26	27
Prepayments and accrued income	156,227	3,793	156,227	3,793
Amounts due from members	516,941	895,020	516,941	895,020
	<u>827,139</u>	<u>1,385,665</u>	<u>827,139</u>	<u>1,385,665</u>

# Mountgrange Investment Management LLP

## Notes to the Financial Statements *(continued)*

Year ended 31 March 2018

### 11. Creditors: amounts falling due within one year

	Group		LLP	
	2018	2017	2018	2017
	£	£	£	£
Amounts owed to group undertakings	–	–	36	36
Amounts owed to related parties	64,060	55,015	64,060	55,015
Other creditors	20,057	31,110	20,057	31,110
Accruals and deferred income	438,740	837,970	438,740	837,970
	<u>522,857</u>	<u>924,095</u>	<u>522,893</u>	<u>924,131</u>

Prior year trade creditor balances have been reanalysed as related party transactions to better reflect the nature of these transactions.

### 12. Cash generated from operations

	2018	2017
	£	£
Profit for the financial year	440,859	137,881
<i>Changes in:</i>		
Trade and other debtors	180,446	301,831
Trade and other creditors	(401,237)	(235,316)
	<u>220,068</u>	<u>204,396</u>

Analysis of changes in Net Funds	At 1 Apr 2017 £	Cash Flows £	At 31 Mar 2018 £
Net cash:			
Cash in hand and at bank	1,079,343	151,288	1,230,631
Net funds	<u>1,079,343</u>	<u>151,288</u>	<u>1,230,631</u>

### 13. Related party transactions

During the year, £462,433 (2017: £645,648) was received from Mountgrange Real Estate Opportunity Fund LP and its subsidiaries, £107,372 (2017: £149,913) was due from MoREOF (Parallel I) Unit Trust ("PIUT") and £40,265 (2017: £56,217) was due from MoREOF (Parallel II) LP ("PIILP") in respect of asset management fees. The LLP provides advisory and fund management services to these Fund entities

Other transactions and balances with related parties are disclosed in notes 10 and 11 of these accounts.

	2018	2017
	£	£
Mountgrange SGP LLP	12,833	12,835
Clearbell Capital LLP	(48,828)	(40,003)
Clearbell Fund Management Limited	(15,232)	(15,012)
	<u>(51,227)</u>	<u>(42,180)</u>

# **Mountgrange Investment Management LLP**

## **Notes to the Financial Statements** *(continued)*

**Year ended 31 March 2018**

### **14. Financial risk management**

#### **Credit Risk**

The LLP has established a risk and financial management framework whose primary objectives are to protect the LLP from events that hinder the achievement of the LLP's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

The principle source of income is Fund management fee income. This is received from the Fund and its subsidiaries which in turn is funded by the investors. The investors in the Fund are predominantly large institutional investors. The group has no significant concentration of credit risk, with exposure spread over a large number of investors. The largest investor represents 11% of the Fund. The LLP had no external debt or financial instruments and at the reporting date had £1,230,631 of cash.

#### **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty meeting obligations associated with financial liabilities. The LLP aims to mitigate liquidity risk by managing cash generation by its operations.

The group is reliant on one source of income, being the Fund management fee, which is received quarterly in advance and following the expiry of the Commitment period on 27 November 2012 the fee is equal to 1.5% per annum of the total unreturned contributions of the Limited Partners, including any contributions advanced after the expiry of the commitment period. These unreturned contributions generate fee income to meet operating cash requirements. The group is un-gearred and available cash is held on short term deposits. This ensures that the group has sufficient available funds for its current operations.

The fund is a closed ended fund and matures in April 2019. During the year the fund life was extended by one year and the fee reduced to 0.75% per annum of unreturned contributions. As investments are realised the fee income will reduce. The LLP has agreed to share the operating costs with Clearbell Capital LLP. All operating costs are borne by CCLLP and the costs are apportioned on a time basis. This allows operating costs to be scaled down as the fund activity reduces.

After the fund matures, the agreement allows for a 180 day liquidation period. The fee for the liquidation period will be agreed at the time.

### **15. Financial instruments**

The group does not use financial instruments other than cash for its own business activities. It has no external borrowings or related investments.

### **16. Guarantees and other financial commitments**

#### **VAT**

The LLP is registered for VAT under a group registration. The VAT group includes subsidiary companies and a number of related entities. As a result, it has guaranteed the VAT Liability of the other companies.

# **Mountgrange Investment Management LLP**

## **Notes to the Financial Statements *(continued)***

**Year ended 31 March 2018**

### **17. Contingent Liabilities**

As part of a Contract for Difference Agreement with a corporate member of the LLP, Oyster Bay Management Limited, which is linked to the performance of the LLP, payments were made in the past by Oyster Bay Management Limited to senior management. The tax treatment of this had been queried by HMRC.

No provision has been made by Oyster Bay Management Limited for tax payable (PAYE, employer's and employee's national insurance) and interest which would arise if the challenge was successful. If such a challenge was to be successful, the maximum obligation was estimated to be approximately £3.45m. No provision was recognised in relation to this in the prior year.

Subsequent to the year end, a settlement has been reached with HMRC in respect of the Contracts for Difference Agreement. Therefore, there is no contingent liability in respect of this matter.

### **18. Controlling party**

The LLP is jointly controlled by the designated members.