

Registered number: OC331835

CAPITAL GENERATION PARTNERS LLP
REPORT & FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016



CAPITAL GENERATION PARTNERS LLP

MEMBERS AND ADMINISTRATIVE INFORMATION

MEMBERS

Khaled Said
Charlotte Thorne
Ian Barnard

REGISTERED OFFICE

Berkeley Square House
Berkeley Square
London
W1J 6BX

AUDITOR

RSM UK Audit LLP
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

LEGAL ADVISERS

Burges Salmon
One Glass Wharf
Bristol
BS2 0ZX

BANKERS

Metro Bank
One Southampton Row
London
WC1B 5HA

CAPITAL GENERATION PARTNERS LLP

MEMBERS' REPORT

Report of the Members

The members present their report and the audited financial statements for the year ended 31 December 2016.

Principal Activities

Capital Generation Partners LLP is an FCA-authorised firm which provides clients with investment advice and investment management services across a range of asset classes. The firm is supported in its work by Capital Generation Partners Services Limited which provides certain services to the LLP.

Review of the business and future developments

As an FCA-authorised firm, Capital Generation Partners LLP prioritises its risk management processes and to this end it has rigorous corporate governance procedures and structures which ensure that risk is monitored, managed and mitigated properly.

The firm made a profit of £1,652,603 (2015: £1,333,651).

The members consider the results for the year to be satisfactory and that future results will be of a similar nature.

Members

The following were members of the limited liability partnership during the year and, unless otherwise stated, continued to be members after that date:

Khaled Said	(Designated)
Ian Barnard	
Charlotte Thorne	(Designated)
Capital Generation Partners Services Limited	(Resigned 13 February 2017)
Capital Generation Capital Limited	(Resigned 13 February 2017)
Capital Generation Holdings LLP	(Appointed 13 February 2017)

Members Drawings

The profit of the LLP in respect of each financial year is allocated and distributed, after taking into account the LLP's working capital and regulatory requirements. Profits are divided among the members in accordance with profit sharing arrangements.

The following policies exist and are covered in the LLP agreement dated 18th February 2008:

- Transfers from debt to equity and equity to debt
- Subscriptions of amounts subscribed or otherwise contributed by members as equity or debt.
- Repayment of amounts subscribed or otherwise contributed by members.
- The cash requirements of the business are prioritised over drawings by members where such conflicts occur and all drawings and or contributions by members are treated as a net amount due to or from members as drawn against unallocated profits.
- Capital is contributed by members and is repaid to retiring members in accordance with the partnership deed.

CAPITAL GENERATION PARTNERS LLP

MEMBERS' REPORT

Gifts in Kind

A gift in kind was made to The Said Foundation of £14,400 (2015: £14,400) for Investment Performance Reporting services.

Charitable Donations

Charitable donations were made throughout the year to YoungMinds of £24,000 (2015: YoungMinds £24,000).

Auditors

Each of the persons who are members at the time when this report is approved has confirmed that:

- (a) So far as each member is aware, there is no relevant audit information of which the partnership's auditors are unaware; and
- (b) Each member has taken all the steps that ought to have been taken as a member, including making appropriate enquiries of fellow members and the partnership's auditors for that purpose, in order to be aware of any information needed by the partnership's auditors in connection with preparing their report and to establish that the partnership's auditors are aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption (as applied to limited liability partnerships by regulation 17 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act) Regulations 2008).

Auditor

A resolution to reappoint RSM UK Audit LLP, Chartered Accountants, as auditor will be proposed at the next members meeting.

These financial statements were approved by the members and authorised for issue on

19 April 17 and are signed on their behalf by



Charlotte Thorne

Designated Member

CAPITAL GENERATION PARTNERS LLP

MEMBERS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 Regulations) requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under the 2008 Regulations, the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period.

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

- a) Select suitable accounting policies and then apply them consistently;
- b) Make judgements and estimates that are reasonable and prudent;
- c) State whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business.

Under the 2008 Regulations the members are responsible for keeping adequate accounting records that are sufficient to show and explain the partnership's transactions and disclose with reasonable accuracy at any time the financial position of the partnership and to enable them to ensure that the financial statements comply with the requirements of those Regulations. They are also responsible for safeguarding the assets of the partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the partnership's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These responsibilities are exercised by the designated members on behalf of the members.

CAPITAL GENERATION PARTNERS LLP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LLP

Opinion on financial statements

We have audited the financial statements on page 5 to 19. 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), FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2016 and of its profit 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 by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

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 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

Respective responsibilities of members and auditor

As explained more fully in the Members' Responsibilities Statement set out on page 3, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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 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 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.

David Fenton LLP

DAVID FENTON (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date

19/4/2017

CAPITAL GENERATION PARTNERS LLP

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Turnover	2	6,909,773	6,197,509
Administrative expenses		(5,247,562)	(4,850,304)
Operating profit	3	1,662,211	1,347,205
Interest receivable and similar income		542	305
Interest payable and similar charges	4	(10,150)	(13,859)
Profit for the financial year before members' remuneration & profit shares		1,652,603	1,333,651
Profit for the financial year before members' remuneration & profit shares		1,652,603	1,333,651
Members' remuneration charged as an expense	5	-	-
Profit for the financial year available for discretionary division among members		1,652,603	1,333,651
Total comprehensive income		1,652,603	1,333,651

The profit for the year arises from the partnership's continuing operations.

CAPITAL GENERATION PARTNERS LLP

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

Registration No. OC331835

	Notes	2016 £	2015 £
Fixed assets			
Intangible assets	6	121,055	105,848
Investments	7	65	65
		<u>121,120</u>	<u>105,913</u>
Current assets			
Debtors	8	1,986,539	2,002,016
Cash at bank and in hand		<u>1,341,944</u>	<u>1,130,626</u>
		<u>3,328,483</u>	<u>3,132,642</u>
Creditors: amounts falling due within one year	9	<u>(348,020)</u>	<u>(279,853)</u>
Net current assets		<u>2,980,463</u>	<u>2,852,789</u>
Total assets less current liabilities		<u>3,101,583</u>	<u>2,958,702</u>
Creditors: amounts falling due after more than one year	10	<u>(180,208)</u>	<u>(255,625)</u>
Net assets attributable to members		<u>2,921,375</u>	<u>2,703,077</u>
Represented by:			
Loans and other debts due to members			
Other amounts		448,772	600,636
Members' other interests			
Members' capital classified as equity		820,000	820,000
Other reserves classified as equity		<u>1,652,603</u>	<u>1,282,441</u>
		<u>2,921,375</u>	<u>2,703,077</u>
Total members' interests			
Members' other interests		2,472,603	2,102,441
Loans and other debts due to members		448,772	600,636
Amounts due from members		<u>(649,912)</u>	<u>(664,723)</u>
		<u>2,271,463</u>	<u>2,038,354</u>

These financial statements have been prepared in accordance with the special provisions of the Companies Act 2006 (as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008) applicable to LLPs subject to the small LLPs regime.

The financial statements on pages 5 to 19 were approved by the members and authorised for issue on 19th April 2017 and are signed on their behalf by:



Charlotte Thorne
Designated member

CAPITAL GENERATION PARTNERS LLP

RECONCILIATION OF MEMBERS' INTERESTS FOR THE YEAR ENDED 31 DECEMBER 2016

	EQUITY Members' Other Interests			DEBT Loans and other debts due to members less any amounts due from members in debtors	TOTAL MEMBERS' INTERESTS
	Members' Capital (classified as equity) £	Other Reserves £	Total £	£	Total 2016 £
Amounts due to members				600,636	
Amounts due from members				(664,723)	
Balance at 1 January 2016	820,000	1,282,441	2,102,441	(64,087)	2,038,354
Profit for the financial year available for discretionary division among members	-	1,652,603	1,652,603	-	1,652,603
Members' interests after profit for the year	820,000	2,935,044	3,755,044	(64,087)	3,690,957
Introduced by members	-	-	-	-	-
Repayment of trading amount due to Capital Generation Partners Services Limited	-	-	-	(600,636)	(600,636)
Allocation and distribution of 2015 profits following finalisation of annual financial statements	-	(1,282,441)	(1,282,441)	664,723	(617,718)
Allocation of 2016 profits	-	-	-	-	-
Advance drawings	-	-	-	(645,520)	(645,520)
Service charges due to Capital Generation Partners Services Limited	-	-	-	4,504,481	4,504,481
Payments on service charges to Capital Generation Partners Services Limited	-	-	-	(4,055,709)	(4,055,709)
Other amounts due from members	-	-	-	(4,392)	(4,392)
Amounts due to members				448,772	448,772
Amounts due from members				(649,912)	649,912
Balance at 31 December 2016	820,000	1,652,603	2,472,603	(201,140)	2,271,463

CAPITAL GENERATION PARTNERS LLP

RECONCILIATION OF MEMBERS' INTERESTS FOR THE YEAR ENDED 31 DECEMBER 2015

	EQUITY Members' Other Interests			DEBT Loans and other debts due to members less any amounts due from members in debtors	TOTAL MEMBERS' INTERESTS
	Members' Capital (classified as equity) £	Other Reserves £	Total £	£	Total 2015 £
Amounts due to members				511,895	
Amounts due from members				<u>(666,297)</u>	
Balance at 1 January 2015	820,000	1,404,151	2,224,151	(154,402)	2,069,749
Profit for the financial year available for discretionary division among members	-	1,333,651	1,333,651	-	1,333,651
Members' interests after profit for the year	820,000	2,737,802	3,557,802	(154,402)	3,403,400
Introduced by members	-	-	-	-	750,000
Repayment of trading amount due to Capital Generation Partners Services Limited	-	-	-	(511,895)	(511,895)
Allocation and distribution of 2014 profits following finalisation of annual financial statements	-	(1,404,151)	(1,404,151)	666,297	(737,854)
Allocation of 2015 profits	-	(51,210)	(51,210)	51,210	-
Advance drawings	-	-	-	(645,520)	(645,520)
Service charges due to Capital Generation Partners Services Limited	-	-	-	4,068,630	4,068,630
Payments on service charges to Capital Generation Partners Services Limited	-	-	-	(3,519,204)	(3,519,204)
Other amounts due from members	-	-	-	<u>(19,203)</u>	<u>(19,203)</u>
Amounts due to members				600,636	
Amounts due from members				<u>(664,723)</u>	
Balance at 31 December 2015	820,000	1,282,441	2,102,441	(64,087)	2,038,354

CAPITAL GENERATION PARTNERS LLP

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
OPERATING ACTIVITIES			
Transactions with non-members:			
Cash generated from operations	13	6,235,523	5,140,679
Interest paid		(10,150)	(13,859)
Transactions with members and former members:			
Payments on service charges to Capital Generation Partners Services Limited		(4,055,709)	(3,519,204)
NET CASH FROM OPERATING ACTIVITIES		2,169,664	1,607,616
INVESTING ACTIVITIES			
Transactions with non-members:			
Purchase of intangible fixed assets	6	(15,207)	(89,648)
Repayment of borrowings		(75,415)	(102,250)
Interest received		542	305
NET CASH USED IN INVESTING ACTIVITIES		(90,080)	(191,593)
FINANCING ACTIVITIES			
Transactions with members and former members:			
Capital introduced by members (classified as equity or liability)		-	-
Repayment of capital or debt to members		(605,028)	(531,098)
Payments to members that represent a return on amounts subscribed or otherwise contributed		(1,263,238)	(1,383,374)
NET CASH USED IN INVESTING ACTIVITIES		(1,868,266)	(1,914,472)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		211,318	(498,448)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,130,626	1,629,074
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		1,341,944	1,130,626

General information

Capital Generation Partners LLP has prepared financial statements covering the individual entity's results for the year to 31 December 2016.

Capital Generation Partners LLP is a Limited Liability Partnership and is incorporated in Great Britain. The address of Capital Generation Partners LLP's registered office is presented on the Members and Administrative Information page of these financial statements.

The principle activities of the partnership are set out in the members report on page 1.

Basis of accounting

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards including "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" published July 2014.

The financial statements are presented in sterling which is also the functional currency of the LLP. Monetary amounts in these financial statements are rounded to the nearest whole £, except where otherwise indicated.

Consolidated financial statements

On the grounds of materiality that the group remains a small group in accordance with Companies Act 2006, no consolidation of the group has been prepared. Therefore these accounts reflect the activities of Capital Generation Partners LLP only.

Going concern

Capital Generation Partners LLP is a going concern with multiple client relationships of long standing which means that it has more than sufficient resources to meet its liabilities. For this reason the Partners continue to adopt the going concern basis in preparing the financial statements.

Foreign currencies

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Turnover

Investment advisory fees are recognised on an accruals basis and in line with agreements in place. Income is recognised once the invoice has been issued.

Intangible fixed assets

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:

Computer software	over the remaining life of the software agreement (maximum of 5 years)
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Amortisation is revised prospectively for any significant change in useful life.

On disposal the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

Impairments of intangible fixed assets

At each reporting end date, the LLP reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the LLP estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

Impairments of fixed assets (continued)

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

Fixed asset investments

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

A subsidiary is an entity controlled by the LLP. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Taxation

The taxation payable on the partnership profits is solely the personal liability of the individual members. Consequently neither partnership taxation nor related deferred taxation arising in respect of the partnership are accounted for in these financial statements.

Financial assets

The LLP has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the LLP's statement of financial position when the LLP becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through profit or loss are measured at fair value.

Financial assets (continued)

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities

Basic financial liabilities are initially measured 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. Other financial liabilities classified as fair value through profit or loss are measured at fair value.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the LLP's obligations are discharged, cancelled, or they expire.

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. A member's participation rights including amounts subscribed or otherwise contributed by members, for example members' capital, are classed as liabilities unless the LLP has an unconditional right to refuse payment to members, in which case they are classified as equity.

Where profits are automatically divided as they arise, so the LLP does not have an unconditional right to refuse payment and the amounts arising that are due to members are in the nature of liabilities. They are therefore treated as an expense and presented as members' remuneration charged as an expense in arriving at the result for the relevant year. To the extent that they remain unpaid at the period end, they are shown as liabilities.

Conversely, where profits are divided only after a decision by the LLP or its representative, so the LLP has an unconditional right to refuse payment, such profits are classed as equity rather than as liabilities. They are therefore shown as a residual amount available for discretionary division among members in arriving at the result for the year and are shown as appropriations of equity when they are allocated.

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.

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

CAPITAL GENERATION PARTNERS LLP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Critical accounting judgements

Judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The LLP makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions 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 discussed below.

Impairment of assets

Financial and non-financial assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on the higher of the value in use and fair value less costs to dispose. Value in use is calculated from expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance.

2. Turnover

The turnover and profit are attributable to the one principal activity of the LLP.

An analysis of turnover is provided below:

	2016 £	2015 £
Rest of World	6,909,773	6,197,509
	<u>6,909,773</u>	<u>6,197,509</u>

3. Operating profit

Operating profit is stated after charging / (crediting):

	2016 £	2015 £
Amortisation of intangible assets	-	-
Gain on foreign exchange	(48,118)	(15,765)
Auditor's remuneration- audit of the financial statements	15,900	16,000
Auditor's remuneration – all other non-audit services	-	15,000
	<u>-</u>	<u>15,000</u>

4. Interest payable

	2016 £	2015 £
Interest payable on bank loan	10,150	13,859
	<u>10,150</u>	<u>13,859</u>

CAPITAL GENERATION PARTNERS LLP

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

5. Members' remuneration

The profits of the LLP in respect of each financial year are allocated and distributed, after taking into account the LLP's working capital and regulatory requirements. Profits are divided among the members in accordance with profit sharing arrangements. The profit attributable to the highest paid member for the period is £709,421 (2015: £596,196).

6. Intangible assets

	Computer software costs £	Total £
Cost		
At 1 January 2016	317,885	317,885
Additions	15,207	15,207
At 31 December 2016	333,092	333,092
Amortisation		
At 1 January 2016	212,037	212,037
Amortisation charged in the year	-	-
At 31 December 2016	212,037	212,037
Carrying amount		
At 31 December 2016	121,055	121,055
At 31 December 2015	105,848	105,848

7. Fixed asset investments

	2016 £	2015 £
Investments in subsidiaries	65	65

On 9th November 2010, the Partners agreed to establish Capital Generation Partners Bermuda Limited, a Company incorporated in Bermuda, which is a wholly owned subsidiary of the partnership. This is not an authorised entity; its function is to contract with offshore clients.

The above Investment represents the capital contributions made by the LLP for 100% ordinary shareholding of Capital Generation Partners Bermuda Limited. At the balance sheet date the full amount was owed to Capital Generation Partners Bermuda Limited (CGPBL).

The results and net assets of Capital Generation Partners Bermuda Limited were as follows:

	£
Profit for the year ended 31 December 2016	1,678
Capital and reserves at 31 December 2016	4,826

CAPITAL GENERATION PARTNERS LLP

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

8. Debtors

	2016	2015
	£	£
Trade debtors	528,926	516,730
Amounts due from members	649,912	664,723
Amounts owed by group undertakings	212,232	139,000
Other debtors	24,917	19,227
Prepayments and accrued income	570,552	662,336
	<u>1,986,539</u>	<u>2,002,016</u>

9. Creditors: Amounts falling due within one year

	2016	2015
	£	£
Loans and overdrafts	102,250	102,250
Trade creditors	61,117	62,289
Accruals and deferred income	184,653	115,314
	<u>348,020</u>	<u>279,853</u>

10. Creditors: Amounts falling due after more than one year

	2016	2015
	£	£
Loans and overdrafts	180,208	255,625

The bank loan included within Creditors: Amounts falling due within one year and Creditors: Amounts falling due after more than one year is secured by a debenture of the LLP.

11. Financial instruments

	2016	2015
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>2,613,645</u>	<u>2,395,706</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>528,228</u>	<u>535,478</u>

12. Members' interests

Members' capital may be repaid to leaving members subject to the condition within the LLP Agreement, that following such payment the total members' capital remains greater than the LLP's FCA financial resources requirement at the relevant time and with the consent of the Managing Member.

Members' interests rank after unsecured creditors. Loans and other debtors due to Members rank pari passu with unsecured creditors in the event of a winding up.

Loans and debts due to members rank after secured creditors.

CAPITAL GENERATION PARTNERS LLP

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

13. Reconciliation of profit to net cash generated from/(used in) operations

	2016 £	2015 £
Profit for the year	1,652,603	1,333,651
Adjustments for:		
Amortisation of intangible assets	-	-
Service charges due to Capital Generation Partners Services Limited	4,504,481	4,068,630
Interest receivable	(542)	(305)
Interest payable	10,150	13,859
Operating cash flows before movements in working capital	6,166,692	5,415,386
Decrease / (Increase) in trade and other debtors	666	(261,728)
(Decrease)/increase in trade and other creditors	68,165	(13,429)
Cash generated from /(used in) operations	6,235,523	5,140,679

14. Related party transactions

The remuneration of key management personnel is as follows:

	2016 £	2015 £
Aggregate compensation	645,520	645,520

During the period £4,504,481 (2015: £4,068,630) was payable through a services agreement to the corporate member, Capital Generation Partners Services Limited (CGPSL). At the end of the year £448,772 (2015: £549,426) was due to CGPSL.

During the year profits of £Nil was allocated to CGPSL (2015: £51,210). At the end of the year £Nil was due to CGPSL (2015: £51,210).

During the period £4,187,252 (2015: £4,119,771) of income was received from Capital Generation Limited (CGL), a related party, of which Khaled Said is a director. At the end of the year £409,074 (2015: £399,769) was due from CGL, and £2,723 (2015: £NIL) of rechargeable costs.

During the period £576,000 (2015: £399,000) of income was received from Capital Generation Partners Bermuda Limited (CGPBL), a subsidiary. At the end of the year £212,232 (2015: £139,000) was due from CGPBL, and £57,000 (2015: £120,000) was due in accrued income.

A gift in kind was made to The Said Foundation of £14,400 (2015: £14,400) for Investment Performance Reporting Services. This entity is related as Khaled Said is a Trustee of the Foundation.

The amounts outstanding are unsecured, non-interest bearing and will be settled in cash. No guarantees have been given or received. All transactions are on an arm's length basis. No expense has been recognised in the year (2015: £nil) in respect of bad debts from related parties.

15. Controlling party

The ultimate controlling party is considered to be Khaled Said due to the terms of the LLP agreement.

CAPITAL GENERATION PARTNERS LLP
PILLAR 3 AND REMUNERATION DISCLOSURE
APRIL 2017 (for financial year ending 31.12.16)

Pillar 3 Disclosure

Capital Generation Partners LLP (the "Firm") is authorised and regulated by the Financial Conduct Authority (the "FCA"). The Firm is a UK domiciled discretionary investment manager to professional clients. The Firm is categorised as "BIPRU Limited License Firm" for capital purposes and reports on a solo basis. The Firm's Pillar 3 disclosure fulfils the Firm's obligation to disclose to market participants' key pieces of information on a firm's capital, risk exposures and risk assessment processes.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be likely to change or influence the decision of a reader relying on that information. In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no omissions on the grounds that it is immaterial, proprietary or confidential.

Risk Management

The Firm's Partners determine its business strategy and the level of risk acceptable to the Firm. They have designed and implemented a risk management framework that recognises the risks that the business faces and how those risks may be monitored and mitigated and assess on an ongoing basis. The Firm has in place controls and procedures necessary to manage those risks.

The Firm considers the following as key risks to its business:

Business Risk – This risk represents a fall in assets under management or the loss of key staff which may reduce the fee income earned by the Firm and hinder its ability to finance its operations and reimburse its expenses. Business risks are assessed and mitigated as part of the Internal Capital Adequacy Assessment Process ("ICAAP").

Market risk - The risk is the exposure to foreign exchange fluctuations due to investment management and performance fees being denominated in currencies other than sterling. The Firm operates currency bank accounts permitting it to receive/pay currency directly.

Operational risk – This risk covers a range of operational exposures from the risk of the loss of the key personnel to the risk of the provision of investment advice. Legal and reputational risks are also included within the category of operational risk. Operational risks and how they can be mitigated are assessed as part of the ICAAP.

Credit risk – This is the risk of non-payment of management fees and counterparty exposure relating to the Firm's bank balances and any other debtors. This is monitored by the Firm's Director of Finance and Office Management and the Board.

Regulatory Capital

Capital Generation Partners LLP is a Limited Liability Partnership and its capital arrangements are established in its Partnership deed. Its capital contains only members' capital contributions of £820,000.

The Firm is small with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from management and performance fees receivable from the funds under its management.

Pillar 1 capital is the higher of:

1. the base capital requirement of €50,000;
2. the sum of market and credit risk requirements; and
3. the Fixed Overhead Requirement ("FOR").

Pillar 2 capital is calculated by the Firm as representing any additional capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 as part of its ICAAP. When making this calculation, the Firm also takes into account the own funds requirement detailed above.

It is the Firm's experience that its Pillar 1 capital requirement normally consists of the FOR, although market and credit risks are reviewed regularly. The Firm applies a standardised approach to credit risk, applying 8% to the Firm risk weighted exposure amounts, consisting mainly of investment management fees due but not paid, and bank balances. Having performed the ICAAP, the Firm has concluded that no additional capital is required in excess of its Pillar 1 capital requirement.

As at the date of this disclosure the Firm's regulatory capital position is:

Capital Item	£'000
Tier 1 capital	£820
Total capital resources, net of deductions	£820

The Firm's ICAAP assesses the adequacy of its internal capital to support current and future activities. This process includes an assessment of the specific risks to the Firm, the internal controls in place to mitigate those risks and an assessment of whether additional capital mitigates those risks. The Firm also considers a wind down scenario to assess the capital required to cease regulated activities.

We have not identified credit risk exposure classes or the minimum capital requirements for market risk as we believe that they are immaterial. Concerning Pillar 1, it is the Firm's experience that the Fixed Overhead Requirement establishes its capital requirements and hence market and credit risks are considered not to be material. Our capital requirements are currently £798,072 which is well within the level of regulatory capital held.

We consider this amount to be sufficient regulatory capital to support the business and have not identified any areas which give rise to a requirement to hold additional risk based capital.

The Firm's ICAAP is formally reviewed by the Members annually, but will be revised should there be any material changes to the Firm's business or risk profile.

Remuneration

Given the nature and small size of our business, remuneration for all employees is set by the members of the Firm. The Firm formally reviews the performance of all employees and based thereon determines each employees overall level of remuneration and the split of that between base salary, bonus, etc. in compliance with the FCA Rules on remuneration.

Given that the Firm has only one business area, investment management, all remuneration disclosed in our audited financial statements is from this business area.

The Firm has defined "Code Staff" to be Partners only and is satisfied that their remuneration is in accordance with the code.

The Firm is subject to the BIPRU Remuneration Code ("the Code"), has applied proportionality and, pursuant to this application and where relevant, has disapplied various provisions of the Code.

Stewardship Disclosure

The Firm supports the principles enshrined in the Financial Reporting Council's Stewardship Code which sets out good practice for investor engagement with the UK listed companies in which they invest. The FCA requires all authorised asset managers to publicly disclose either a statement of compliance with the Stewardship Code or where they do not commit, their alternative investment strategy.

The Financial Conduct Authority and the Financial Reporting Council have acknowledged that certain aspects of the Stewardship Code are not directly relevant to all managers. The Firm does not generally advise or manage in relation to UK listed investments. Consequently, compliance with the Stewardship Code is not relevant to the Firm.

The Firm's Partners will continue to review the Code's applicability.