

DG Partners Services Limited

Registered Number: 04470767

Annual Report and Audited Financial Statements

For the year ended 31 December 2018



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Administrative information

Directors

D M Gorton
R C Standing

Secretary

Throgmorton Secretaries LLP

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Bankers

Barclays Bank plc
1 Churchill Place
London
E14 5HP

Solicitors

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Registered office

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

Strategic report

For the year ended 31 December 2018

The directors present the strategic report of DG Partners Services Limited ("the company") for the year ended 31 December 2018.

Principal activity and review of the business

The principal activity of the company during the year was the provision of support services to DG Partners LLP ("DGP") and BH-DG Systematic Trading LLP ("BH-DG"). During the year, DGP was the manager of a number of private funds and separate managed accounts.

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

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

Results

The loss for the financial year amounted to £26,283,265 (2017: profit of £463,254) as shown on page 10. The loss principally arose due to the settlement of a historic tax liability with HMRC and the impairment of investments, core trading results were in line with prior years.

Key performance indicators (KPIs)

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

Financial risk management

The key business risks and uncertainties affecting the business relate to the performance and assets under management of DGP and BH-DG.

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

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



D M Gorton

Director

15 May 2019

Directors' report

For the year ended 31 December 2018

The directors present their report and the audited financial statements of DG Partners Services Limited for the year ended 31 December 2018.

Dividends

The directors do not propose payment of an ordinary dividend (2017: £nil).

Directors

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

D M Gorton

R C Standing

Going concern

These financial statements have been prepared on a going concern basis. The directors believe that this is appropriate as the company has an ongoing arrangement to provide services to DGP and BH-DG, which have ongoing investment management and advisory contracts. The company is reimbursed for a proportion of expenses incurred in the provision of services to these entities. In addition, a significant shareholder has confirmed that they would be providing support for a period of 12 months from the date of signing this report. Therefore, the directors have a reasonable expectation that the company has adequate resources to meet its liabilities as they fall due for the foreseeable future.

Statement as to disclosure of information to auditors

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

Principal risks and uncertainties

The UK is currently due to leave the EU by 31 October 2019. The risk of a hard Brexit has increased markedly in recent weeks as the UK government has struggled to agree on its position and progress with the EU has been limited. The FCA published a guide for firms on its website on 12 July 2018 advising them regarding Brexit preparations. In particular, the FCA noted that although the UK and EU agreed the terms of a transition period which would apply from the end of March 2019 until the end of December 2020, the transition period is part of the withdrawal agreement, and the agreement will be part of further negotiations between the UK and EU before it is finalised. Accordingly, the FCA has asked firms such as the LLP to consider the implications of a range of possible scenarios including a transition period.

Key potential risk areas related to Brexit:

- AIFMD marketing passports used by funds managed by the firm for EU jurisdictions (such as Sweden, Finland) will likely cease to work. These are not currently material to the firm's business and so an assessment will be made post Brexit as to what steps should be taken to compensate for this change (e.g. rely upon private placement regimes);
- MiFID passports will likely cease to work, accordingly the UK will be dependent upon MoUs being put in place between the UK and relevant EU member states to allow the firm to continue to trade on a delegated basis for entities inside the EU. We understand from our clients with UCITS funds that they are establishing or have established EU based UCITS entities and intend to simply re-issue the sub-IMA documentation under which we currently manage assets for them in a form amended to take into account the relevant EU jurisdiction's rules. The FCA announced on 1 Feb 2019 that it had agreed such MoUs with ESMA and the EU regulators. Accordingly, although some frantic repapering may be required for our UCITS accounts, this business should be able to continue much as before regardless of whether there is a hard Brexit;

Directors' report (continued)

For the year ended 31 December 2018

- Contract continuity issues (particularly compliance with applicable law reps, jurisdiction and governing law reps). Legal and Compliance are reviewing agreements and would consider other key contracts which might be affected (e.g. administration and technology contracts). At the present time, no material issues are anticipated.
- Liquidity issues. The US and the UK have announced arrangements to ensure derivatives trading continues between them uninterrupted. Trading with UK entities is not expected to be effected. OTC trading with EU counterparties could potentially be problematic, however the firm is not overly reliant upon EU counterparties. An assessment is currently being undertaken in relation to this. FCMs the firm has spoken to have been taking steps to re-arrange their businesses so that trading remains unaffected.

Auditors

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

By order of the board



D M Gorton

Director

15 May 2019

Statement of directors' responsibilities

For the year ended 31 December 2018

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

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

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

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

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

Independent auditors' report

to the members of DG Partners Services Limited

Opinion

We have audited the financial statements of DG Partners Services Limited ("the Company") for the year ended 31 December 2018 which comprise Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows and notes to the financial statements, 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 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 Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Company 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.

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 Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company'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.

Other information

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

Independent auditors' report (continued)

to the members of DG Partners Services Limited

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 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
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities, the Directors 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 Directors 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 Directors are responsible for assessing the Company'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 Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

DG Partners Services Limited

Registered No: 04470767

Independent auditors' report (continued)

to the members of DG Partners Services Limited

Use of our report

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



Neil Fung-On (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

15/5/19

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

Statement of comprehensive income

For the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover			
Expenses reimbursement from DGP Partners LLP	3	<u>1,816,362</u>	<u>2,028,879</u>
		1,816,362	2,028,879
Administrative expenses		<u>(28,309,714)</u>	<u>(1,348,845)</u>
Operating (loss)/profit	4	(26,493,352)	680,034
Revaluation on fixed asset investments	10	236,257	(299,255)
Interest receivable		126	4,886
Interest payable		<u>1,695</u>	<u>(16,517)</u>
(Loss)/profit on ordinary activities before taxation		(26,255,274)	369,148
Tax credit / (charge) on (loss)/profit	7	<u>(27,991)</u>	<u>94,106</u>
(Loss)/profit for the financial year		(26,283,265)	463,254
Other comprehensive income:			
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>(26,283,265)</u>	<u>463,254</u>

All activities are derived from continuing operations.

Statement of financial position

As at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible fixed assets	8	9,002	9,350
Investments	10	9,077,966	12,385,154
Employee benefit trust & Employee retirement plans	16	86,856,964	90,216,715
		<u>95,943,932</u>	<u>102,611,219</u>
Current assets			
Debtors	9	509,599	24,360,368
Cash and cash equivalents	11	270,818	1,913,879
		<u>780,417</u>	<u>26,274,247</u>
Current liabilities			
Creditors: amounts falling due within one year	13	(15,093,026)	(752,418)
Net current (liabilities)/assets		<u>(14,312,609)</u>	<u>25,521,829</u>
Total assets less current liabilities		81,631,323	128,133,048
Provisions for liabilities and charges	16	(86,856,964)	(113,377,604)
Net (liabilities)/assets		<u>(5,225,641)</u>	<u>14,755,444</u>
Capital and reserves			
Called up share capital	12	24,092,548	17,790,368
Profit and loss reserve		(29,318,189)	(3,034,924)
Total shareholders' funds		<u>(5,225,641)</u>	<u>14,755,444</u>

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



D M Gorton

Director

15 May 2019

Statement of changes in equity

For the year ended 31 December 2018

	Called up share capital £	Retained earnings £	Total equity £
At January 2017	17,790,368	(3,498,178)	14,292,190
Profit for the financial year	-	463,254	463,254
At 31 December 2017	17,790,368	(3,034,924)	14,755,444
Share capital issued	6,302,180	-	6,302,180
Loss for the financial year	-	(26,283,265)	(26,283,265)
At 31 December 2018	24,092,548	(29,318,189)	(5,225,641)

Statement of cash flows

For the year ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
(Loss)/profit on ordinary activities before taxation		(26,255,274)	369,148
Net foreign exchange losses	4	7,069	154,546
Revaluation (gains)/losses on fixed asset investments	10	(236,257)	299,255
Impairment of assets		3,544,445	-
Reduction of social security tax provision		-	(460,291)
Reduction in reimbursement asset		22,859,334	-
Interest receivable		(126)	(4,886)
Interest payable		(1,695)	16,517
Depreciation of tangible fixed assets	8	1,409	23,665
Interest paid		(18,205)	(60)
Corporation tax paid		(300,501)	(867,107)
HMRC Settlement Payment		(22,859,334)	-
Decrease/(increase) in debtors		758,385	(633,313)
Decrease in creditors		(235,427)	(473,607)
Net cash outflow from operating activities		(22,736,177)	(1,576,133)
Cash flows from investing activities			
Interest received		126	4,886
Payments to acquire investments	10	(1,000)	(1,000,000)
Payments to acquire fixed assets	8	(1,061)	-
Net cash outflow from investing activities		(1,935)	(995,114)
Cash flows from financing activities			
Share capital issued	12	6,302,180	-
Director loan received		14,799,940	-
Net cash inflow from financing activities		21,102,120	-
Net decrease in cash and cash equivalents		(1,635,992)	(2,571,247)
Cash and cash equivalents at the beginning of year		1,913,879	4,639,672
Net foreign exchange losses		(7,069)	(154,546)
Cash and cash equivalents at the end of year	11	270,818	1,913,879

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies

1.1 General information

DG Partners Services Limited is a limited company registered in England and Wales. The registered office is 4th Floor Reading Bridge House, George Street, Reading RG1 8LS.

1.2 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

1.3 Going concern

These financial statements have been prepared on a going concern basis. The directors believe that this is appropriate as the company has an ongoing arrangement to provide services to DGP and BH-DG, which have ongoing investment management and advisory contracts. The company is reimbursed for a proportion of expenses incurred in the provision of services to these entities. In addition, a significant shareholder has confirmed that they would be providing support for a period of 12 months from the date of signing the Directors' report. Therefore, the directors have a reasonable expectation that the company has adequate resources to meet its liabilities as they fall due for the foreseeable future.

1.4 Revenue recognition

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

1.5 Interest income

Interest income is recognised in the statement of comprehensive income.

1.6 Operating leases

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

1.7 Cash and cash equivalents

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

Notes to the financial statements (continued)

For the year ended 31 December 2018

1. Accounting policies (continued)

1.8 Pensions

Defined contribution pension plan

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

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

1.9 Tangible fixed assets

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

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

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

The estimated useful lives range as follows:

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

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

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

1.10 Valuation of investments

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

The net investment in the Employee Benefit Trust has been remeasured to fair value at each statement of financial position date. The assets and liabilities of the EBT are recorded gross on the balance sheet and the net gain or loss on their remeasurement is recognised in statement of comprehensive income for the period.

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

Notes to the financial statements (continued)

For the year ended 31 December 2018

1. Accounting policies (continued)

1.11 Financial instruments

Financial assets

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

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

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

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

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

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

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

Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, and loans from related parties, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2018

1. Accounting policies (continued)

1.12 Foreign currency translation

Functional and presentation currency

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

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

1.13 Current and deferred taxation

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2018

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

(b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of investment not held at fair value

The directors have reviewed the operating results and financial positions of DG Partners LLP, and LDFM (Co Invest) I Limited and decided that the company's investments are impaired. See note 10 for details of the impairment.

Useful economic lives of non-financial assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 8 for the carrying amount of the non-financial assets, and note 1.9 for the useful economic lives for each class of assets.

3. Turnover

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

4. Operating (loss)/profit

	2018 £	2017 £
The operating (loss)/profit is started after charging/(crediting):		
Depreciation of tangible fixed assets (note 8)	1,409	23,665
Auditors' remuneration:		
- fees payable to auditors for the audit of the financial statements	24,693	19,303
Reversal of a provision	-	(375,564)
Reimbursement asset written off (note 17)	22,859,334	-
Net foreign exchange losses	<u>7,069</u>	<u>154,546</u>

The reversal of a provision relates to a liability for a compromise agreement that settled as a result of the Her Majesty's Revenue and Customs ("HMRC") settlement agreed in 2016.

Notes to the financial statements (continued)

For the year ended 31 December 2018

5. Staff costs

	2018 £	2017 £
Wages and salaries	1,086,001	1,080,367
Social security costs	116,881	125,131
Other pension costs	37,513	20,477
	<u>1,240,395</u>	<u>1,225,975</u>

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

	2018 No	2017 No
Marketing	1	1
Administration	11	13
Investment management	2	3
	<u>14</u>	<u>17</u>

6. Directors' emoluments

	2018 £	2017 £
Remuneration	<u>-</u>	<u>-</u>

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

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

	2018 £	2017 £
Remuneration	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

For the year ended 31 December 2018

7. Taxation

	2018 £	2017 £
Corporation tax		
Current tax for the year	27,991	(94,106)
Adjustments in respect of prior periods	-	-
Total current tax	27,991	(94,106)
Tax charge/(credit) on ordinary activities	27,991	(94,106)
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	(26,255,274)	369,148
Corporation tax at 19% (2017: 19.25%)	(4,988,502)	71,061
Effect of:		
Disallowed expenses and non-taxable income	-	(88,590)
HMRC Settlement	4,343,273	-
Employee benefits trust settlement expenses	-	(72,283)
Bond fund (loss)/gain on investments	(225)	(736)
Impairment of investments	673,445	-
Impact of tax rate change on losses carried back	-	(3,558)
Tax charge on ordinary activities	27,991	(94,106)

Factors that may affect future tax charges:

The company elected to carry back taxable losses in 2017 to 2016 resulting in a tax refund as at 31 December 2017.

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

Notes to the financial statements (continued)

For the year ended 31 December 2018

8. Tangible fixed assets

	Furniture and fittings £	Computer equipment £	Total £
Cost:			
At 1 January 2018	9,200	208,936	218,136
Additions	-	1,061	1,061
At 31 December 2018	9,200	209,997	219,197
Depreciation:			
At 1 January 2018	1,200	207,586	208,786
Charge for the year	-	1,409	1,409
At 31 December 2018	1,200	208,995	210,195
Net book value:			
At 31 December 2018	8,000	1,002	9,002
At 31 December 2017	8,000	1,350	9,350

9. Debtors

	2018 £	2017 £
Due within one year		
Amounts due from the LLP	306,041	1,018,857
Corporation tax	68,505	301,555
Other debtors	42,195	84,496
Amounts owed by related parties (note 17)	-	3,043
VAT recoverable	11,977	14,806
Prepayments and accrued income	80,881	78,277
Reimbursement asset (note 17)	-	22,859,334
	509,599	24,360,368

Notes to the financial statements (continued)

For the year ended 31 December 2018

10. Fixed asset investments

	At fair value £	At cost less impairment £	Unlisted investments £
At 1 January 2018	4,158,819	8,226,335	12,385,154
Fair value adjustments	236,257	-	236,257
Impairment of investments		(3,544,445)	(3,544,445)
Additions	-	1,000	1,000
At 31 December 2018	4,395,076	4,682,890	9,077,966

Included in the investments above at cost less impairment, £4,682,890 (2017: £6,996,000) represents the company's capital contribution in the LLP, a limited liability partnership incorporated in England and Wales. During the year, £1,000 (2017: £1,000,000) was invested in the LLP. The aggregate amount of members' capital and other reserves of the LLP as at 31 December 2018 amounted to £4,382,749 (2017: £5,144,569). The company recognised an impairment of £2,314,110 (2017: £Nil) in respect of this investment. The profit of the LLP available for distribution to members for the year ended 31 December 2018 amounted to a loss of £761,820 (2017: loss of £391,381). The company does not control or exert significant influence over the LLP.

The company recognised a full impairment of the company's capital contribution in LDFM (Co Invest) I Limited (known as "Co Invest") a company incorporated in Jersey, Channel Islands. At year end the company has an investment of £nil (2017: £1,230,355). The loss and net assets of Co Invest for the year ended 31 December 2018 are £37,231 (2017: £29,762) and £1,848,584 (2017: £8,912,450) respectively. The company has a 14% interest in the redeemable shares of Co Invest and does not control nor exert significant influence over the entity.

At 31 December 2018, the market value of the DG Macro Fund Limited (formerly known as London Select Fund Limited) investments was £4,395,076 (£2017: £4,158,819).

11. Cash and cash equivalents

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

	2018 £	2017 £
Cash at bank	270,818	1,913,879

12. Called up share capital

	2018 £	2017 £
Issued and fully paid: 24,092,548 (2017: 17,790,368) ordinary shares of £1	24,092,548	17,790,368

On 24 May 2018, the company authorised and issued 6,302,180 ordinary shares of £1 each. Consideration of £6,302,180 was received in full. The purpose of the share issue was to provide additional working capital for the company.

Notes to the financial statements (continued)

For the year ended 31 December 2018

13. Creditors

	2018 £	2017 £
Due within one year		
Corporation tax	-	223,905
Trade creditors	41,439	37,236
Directors loans	14,799,940	-
Amounts owed to related parties (note 17)	1,713	-
Accruals and deferred income	213,524	409,330
Taxation and social security	36,410	81,947
	<u>15,093,026</u>	<u>752,418</u>

14. Pensions

The pension cost charged during the year amounted to £37,513 (2017: £20,477). The amount outstanding at the year end was £3,828 (2017: £2,376) and is included within creditors.

15. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets measured at fair value	91,252,040	94,375,534
Financial assets that are equity instruments measured at cost less impairment	4,682,890	8,226,335
Financial assets that are debt instruments measured at amortised cost	<u>348,236</u>	<u>23,965,730</u>
	<u>96,283,166</u>	<u>126,567,599</u>
Financial liabilities		
Financial liabilities measured at fair value	86,856,964	90,216,715
Financial liabilities that are debt instruments measured at amortised cost	<u>15,060,444</u>	<u>23,308,276</u>
	<u>101,917,408</u>	<u>113,524,991</u>

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

Notes to the financial statements (continued)

For the year ended 31 December 2018

16. Provisions for liabilities and charges

	Employee benefit trust & Employee retirement plans £	Social security tax provision £	Total £
At 1 January 2017	94,324,901	31,176,661	125,501,562
Decrease in provision	-	(8,015,772)	(8,015,772)
Distribution paid from EBT	(1,903,971)	-	(1,903,971)
Fair value adjustments	(2,204,215)	-	(2,204,215)
At 31 December 2017	90,216,715	23,160,889	113,377,604
Decrease in provision	-	(23,160,889)	(23,160,889)
Fair value adjustments	(3,359,751)	-	(3,359,751)
At 31 December 2018	86,856,964	-	86,856,964

The company established an Employee Benefit Trust ("EBT") in 2003 for the principal benefit of existing and future employees. The company reflected an asset, representing the fair value of assets purchased by the EBT at cost and an equivalent obligation representing amounts due to employees, in respect of the trust at the year end. The asset has been reflected within fixed assets and the obligation as a provision for liabilities and charges in the statement of financial position. During 2007, the LDFM Executive Retirement Plan ("ERP 2007") was set up. During 2011, the LDFM Executive Retirement Plan 2011 ("ERP 2011") was set up in relation to a sub-fund of the EBT and assets with a market value of £18,378,604 were transferred from the EBT to the ERP 2011.

During the year the company made no payments on behalf of the EBT, ERP 2007 or ERP 2011.

As at 31 December 2018, the market value of the assets held by the EBT, ERP 2007 and ERP 2011 were £58,606,443 (2017: £60,713,119), £28,250,521 (2017: £29,503,596), and £nil (2017: £nil) respectively.

On 23 February 2018, the company entered into a settlement agreement with HMRC to settle the company's PAYE and NIC due in relation to a Share Scheme Award established by the company, set up in 2004. The total amount directly payable to HMRC as a result was £23,160,889 less the corporation tax asset of £301,555 that HMRC has agreed to deduct. This resulted in the company making a payment of £22,859,334 to HMRC on 29 May 2018.

Notes to the financial statements (continued)

For the year ended 31 December 2018

17. Related party transactions

The company is a member of DG Partners LLP, a limited liability partnership registered in England and Wales. Expense reimbursements and profit share income received from DG Partners LLP are disclosed on the face of the statement of comprehensive income. Amounts outstanding at the year end are disclosed in note 9.

David Gorton, a director of DG Partners Services Limited, is also a designated member of BH-DG Systematic Trading LLP ("BHDG"). During the year, the company was charged net expenses in the amount of £4,396 by BHDG (2017: the company charged BHDG net expenses of £2,946). At the year end, the company owed BHDG £1,713 (2017: the company was owed £3,043) company which is included in creditors (2017: debtors).

In the prior year, a reimbursement asset totalling £22,859,334 was included within debtors. This related to the potential payment of tax, social security and accrued interest in relation to a share scheme established by the company in 2004. Certain participants who also happen to be directors of the company had provided personal guarantees for this amount. When the payment was made to HMRC in May 2018 (see note 16), the company elected not to call in the guarantees and funded the payment with the issue of new shares (see note 12) and via loans from the directors (see below). The value of the reimbursement asset from the prior year was written off to the P&L during the year (see note 4).

The directors of the company loaned £14,799,940 (2017: £nil) to the company. This amount is interest free, repayable on demand with a final repayment date of 31 January 2019. After the year end, it was agreed that the company would not be required to repay the directors loans and the outstanding loan balance was written off in full on 27 March 2019.

The company has investments of £nil (2017: £1,230,335) in LDFM (Co Invest) I Limited, a company incorporated in Jersey, Channel Islands. The investment represents the acquisition of 2,010,000 "B" ordinary redeemable shares at USD 1 per share. LDFM (Co Invest) I Limited is a fellow group undertaking of DG Partners International Limited, and is also the company's ultimate controlling party. During the year the company recognised a full impairment of the Co Invest investment, which is included within fixed asset investments (note 10).

18. Ultimate parent undertaking and controlling party

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