LJ Administration (UK) Limited

Pillar 3 Disclosure

26th March 2018

LJ Administration (UK) Ltd Registered in England under no. 9921853 at 9 Clifford Street London W1S 2FT United Kingdom. Authorised & regulated by the Financial Conduct Authority under FRN 751355.

1. Overview

L J Administration (UK) Limited, ("L J Administration") is a part of the group of companies which are owned or controlled by LJ GP Partnership Limited under the overall trading name of L J Partnership. L J Administration was incorporated on the 18th December 2015, and authorised by the Financial Conduct Authority, effective from the 28th December 2016 as a Collective Portfolio Management Investment ("CPMI") Firm which enables L J Administration to provide certain additional services to its clients which fall within the European Union's Markets in Financial Instruments Directive ("MiFID").

During the course of the 2017, L J Administration was dormant.

Looking forward to 2018, L J Administration takes over the existing Management of a Real Estate Investment Trust - LXI REIT PLC – currently managed by another Group Company, (L J Capital Limited). This has been confirmed by the FCA.

LJ Administration is required by the FCA to disclose information relating to the capital it holds and each material category of risk it faces in order to assist users of its accounts and to encourage market discipline.

LJ Administration must undertake an Internal Capital Adequacy Assessment Process (ICAAP), to inform the Board of the ongoing assessment of the firm's risks, how it intends to mitigate those risks and quantify the current and future capital necessary having considered mitigating factors; the ICAAP is also how the firm explains to the FCA its capital adequacy assessment process.

The Firm's ICAAP is formally reviewed by the Board of Directors annually and is revised should there be any material changes to the Firm's business or risk profile. The Pillar 3 Disclosure document is a key output of this process.

Although the Company is consolidated for accounting purposes with its ultimate parent company, LJ GP Partnership Ltd, it is not part of a UK Consolidation Group for the purposes of the FCA's prudential rules. Therefore, this Pillar 3 Risk Disclosure Statement is in respect of LJ Administration only.

As LJ Administration is classified by the Financial Conduct Authority ("FCA") as a BIPRU firm and also, as a Collective Portfolio Management Investment firm under the Alternative Investment Fund Managers Directive ("AIFMD") - meaning that it is authorised as a Full Scope UK "Alternative Investment Fund Manager" ("AIFM"); this means that LJ Administration has dual classification, and that it must assess its minimum capital requirements under two prudential methodologies. It is the higher of the two which is the regulatory minimum capital.

The two prudential methodologies are as follows:

Under the CPMI classification:

As a CPMI Firm, LJ Administration must hold own funds and liquid assets in excess of the higher of:

1. The funds under management requirement - minimum capital requirement of €125,000.
2. The fixed overheads requirement ("FOR") being one quarter of the fixed overheads, and
3. The sum of LJ Administration's market and credit risk requirements.

Under the BIPRU classification

As a BIPRU firm, LJ Administration's capital requirements is based on the greater of:

a) A base capital requirement of €50,000;
b) The sum of LJ Administration's market and credit risk requirements; or
c) Its fixed overhead requirement ("FOR").

As of 31st December 2017, the regulatory minimum capital is £111,012, being the base capital requirement of the sterling equivalent of €125,000, which is the higher of both the fixed overhead requirement, and the sum of the credit and market risk capital requirement.

2. Identified Risks

Risk Management

The Board of LJ Administration has established a framework for the management of risk and has overall responsibility for risk management systems and related controls and for reviewing their ongoing effectiveness. This process is overseen by the Director of Compliance and supported by the Board, who take overall responsibility for this process. The Board has recognised the following risks:

Credit Risk The exposure to credit risk is limited to receivables in respect of services to Group Companies, together with exposure to banking counterparties. The principle banking relationship is with an investment grade institution with significant reserves. The standardised approach to credit risk has been adopted, applying 8% to the Firm's risk weighted exposure amounts with the exception of cash at bank, where 8% x 20% of the exposure is calculated.

Liquidity Risk Liquidity risk as the risk arising from the Company's inability to meet its obligations as and when they fall due.
This is managed as follows:

- Maintaining a strong capital base with significant surplus cash.
- Forecasting future cash flow requirements on a monthly basis.

Operational Risk: Operational risk is defined as the risk of loss to the firm resulting from inadequate or failed internal processes, people and systems, or from external events; it includes legal and financial crime risk. All critical operational outsourcing of regulated activities is undertaken within the L J Partnership group, where necessary, LJ Administration instructs professional advisers on legal and regulatory matters. There is also an indemnity policy.

Business Continuity Risk: LJ Administration Ltd, as part of L J Partnership Group, falls under the Group business continuity plan, which is tested periodically at Group level and reviewed annually.

3. Capital Resources

Regulatory Capital

The capital qualifies as Tier 1 capital. The firm's capital position as at 31 December 2017 is summarised as follows:

Core tier one capital	£
Total tier one capital after deductions	151,297
Upper tier two capital	0
Lower tier two capital	0
Total tier two capital after deductions	0
Total tier one capital plus tier two capital after deductions	151,297
Total tier three capital	0
Total capital resources after deductions	151,297

Minimum Capital Requirement

The minimum capital requirement is the greater of:

I. Its base capital requirement
II. The sum of its market and credit risk requirements (combined provide the firm's risk capital calculation), or
III. It's Fixed Overhead Requirement (FOR)

And are calculated as follows:

I. Calculation of base capital requirement

Capital Required under BIPRU		Capital Required under AIFMD	
The base capital requirement of the sterling equivalent of €50,000	44,405	The base capital requirement of the sterling equivalent of €125,000	**111,012**

II. Calculation of the sum of market and credit risk requirements

CREDIT & COUNTER PARTY RISK				
	Exposure	Weighting		
Debtors	41,499.90	100%		41,500
Prepayments	283.81	100%		284
Bank Current Account	103,160.03	20%	20,632	
Total	144,943.74			62,416
Application of overall weighting of 8%				**4,993**

III. Calculation of the fixed overhead requirement (FOR)

FIXED OVERHEAD REQUIREMENT	
Total Expenses	13,703
Less Variable Expenses	0
Total Fixed Costs	13,703
x 25%	**3,426**

Solvency Ratio

The calculation of the base capital is the higher and consequently it constitutes the minimum capital requirement. The solvency ratio is as follows:

SOLVENCY RATIO	
A. Regulatory Capital	151,297
B. Regulatory Capital Requirement	111,012
Regulatory Capital Surplus (A - B)	40,285
Solvency Ratio (A/B)	1.36

4. Remuneration and Governance

The governing body of LJ Administration consists of Nicholas Barker and Robert Burton. LJ Administration has no employees and its directors are not remunerated by the firm. Any personnel costs are recharged to the Group. Accordingly, there is no breakdown of remuneration.

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