

REGISTERED NUMBER: OC327862

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# **SOMERSET CAPITAL MANAGEMENT LLP**

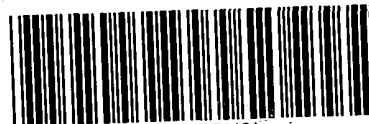
## **REPORT AND FINANCIAL STATEMENTS**

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**◆ *Year ended 31 March 2016* ◆**

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## **SOMERSET CAPITAL MANAGEMENT LLP**

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## **SOMERSET CAPITAL MANAGEMENT LLP**

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### **REPORT OF THE MEMBERS**

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

#### **Principal Activity**

The principal activity of Somerset Capital Management LLP (the "LLP") is the provision of investment advisory and management services.

#### **Business Review and Future Developments**

The LLP currently provides investment management services to three Delaware limited liability companies incorporated in the United States of America, three authorised UK OEIC funds incorporated in England & Wales, and eighteen managed accounts.

The profit for the year is shown in the income statement on page 7.

During the forthcoming year the members expect assets under management and profits of the LLP to increase.

#### **Members and Drawings**

Designated members during the year and up to the date of this report were:

Dominic Johnson  
Jacob Rees-Mogg  
Edward Robertson

#### **Policies for Members Profits, Bonuses, Drawings, Subscriptions and Repayment of Members Capital**

Policies for members' profits, drawings, bonuses, and transfers from equity to debt, subscriptions and repayment of members' capital are governed by the Limited Liability Partnership Agreement (the "Agreement") dated 2 August 2007. In summary, the Executive Committee determines the capital contribution to be made by each member which shall be repayable only on winding-up or except as specifically provided in the Agreement. The Executive Committee has discretion to determine the level of each member's drawings and each member is allowed to withdraw amounts standing to the credit of their Distribution Account. Where the cash requirements of the business conflict with the need for members' drawings, the cash requirements of the business take priority and members' drawings are deferred.

#### **Key Performance Indicator**

The level of revenues that the LLP earns is its key performance indicator. For the year ending 31 March 2016 revenues increased by 30% relative to the prior year (2015: 55%).

## **SOMERSET CAPITAL MANAGEMENT LLP**

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### **REPORT OF THE MEMBERS - continued**

#### **Principal Risks and Uncertainties**

The LLP provides investment management services to several funds and managed accounts, specialising in emerging markets. The principal risk that the LLP faces is loss of reputation resulting from poor investment decisions. Other risks include credit risk arising from trade debtors and cash held with banks and liquidity risk that cash is insufficient for the LLP to meet its obligations associated with financial liabilities. The LLP formally reviews all risks and establishes appropriate procedures and controls to monitor and mitigate them and limit the adverse effects on the financial performance of the LLP. In particular, the LLP assesses the credit quality of its counterparties by taking into account their financial position, past experience, any independent credit ratings and other factors. The financial and regulatory compliance functions are outsourced to a third party provider thus offering a degree of independence during the process of control.

#### **Pillar III Disclosures**

The LLP has documented the disclosures required by the FCA under BIPRU 11.3. These can be found on the LLP's website <http://somersetcm.com/>.

#### **Disclosure of Information to Auditors**

It is stated by the members who held office at the date of approval of this Members' Report that, so far as they are aware, there is no relevant audit information of which the LLP's auditors are unaware, and all the members have taken all the steps that they ought to have taken as members to make themselves aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

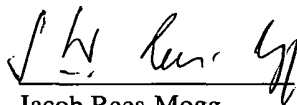
#### **Auditors**

SRG LLP have expressed their willingness to remain in office as auditors of the LLP.

This report was approved and signed on behalf of Somerset Capital Management LLP by:



Dominic Johnson  
Designated Member



Jacob Rees-Mogg  
Designated Member

22 June 2016

**STATEMENT OF MEMBERS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS**

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

Company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations") requires the members to prepare financial statements for each financial year. Under that law the members have prepared the partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law as applied to limited liability partnerships 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 these financial statements, the members 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business.

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 enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the 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.

## **SOMERSET CAPITAL MANAGEMENT LLP**

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### **INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF SOMERSET CAPITAL MANAGEMENT LLP**

We have audited the financial statements of Somerset Capital Management LLP for the year ended 31 March 2016 which comprise the Balance Sheet, the Income Statement, the Cash Flow Statement, the Statement of Changes in Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members of the LLP, as a body, in accordance with the Companies Act 2006 as modified by the Limited Liability Partnership Regulations 2008. Our audit work has been undertaken so that we might state to the LLPs' 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 LLP and the LLPs' members as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF MEMBERS AND AUDITOR**

As explained more fully in the Members' Responsibilities Statement on page 4, 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 Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

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

### **OPINION ON FINANCIAL STATEMENTS**

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 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

## **SOMERSET CAPITAL MANAGEMENT LLP**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOMERSET CAPITAL MANAGEMENT LLP (Continued)**

#### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

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

SRG LLP

David Skeet FCA (Senior Statutory Auditor)  
For and on behalf of SRG LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

22 June 2016

## **SOMERSET CAPITAL MANAGEMENT LLP**

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### **INCOME STATEMENT**

for the year ended 31 March 2016

	Note	Year ended 31 March 2016 £	Year ended 31 March 2015 £
<b>Turnover</b>	1c	24,637,121	18,938,737
Administration expenses		<u>(6,293,006)</u>	<u>(4,258,842)</u>
<b>Operating profit</b>	2	18,344,115	14,679,895
Interest receivable and similar income		4,526	2,554
Dividends receivable		383	428
(Loss)/gain on investments		<u>(2,516)</u>	<u>2,812</u>
<b>Profit for the year before members' remuneration and profit shares</b>		18,346,508	14,685,689
Members' remuneration charged as an expense		<u>(3,944,499)</u>	<u>(3,157,423)</u>
<b>Profit for the year available for discretionary division among members</b>		<u>14,402,009</u>	<u>11,528,266</u>

### **STATEMENT OF COMPREHENSIVE INCOME**

	Year ended 31 March 2016 £	Year ended 31 March 2015 £
<b>Profit for the financial year before members' remuneration and profit shares available for discretionary division among members</b>	14,402,009	11,528,266
Other comprehensive income	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>	<u>14,402,009</u>	<u>11,528,266</u>

All activities related to continuing operations.

The notes on pages 11 to 19 form part of these financial statements.



## SOMERSET CAPITAL MANAGEMENT LLP

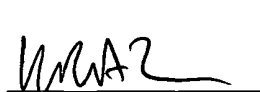
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### BALANCE SHEET

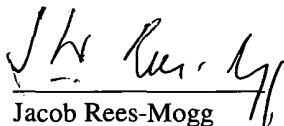
as at 31 March 2016

	Note	31 March 2016 £	31 March 2015 £
<b>Current assets</b>			
Investments	5	28,957	31,473
Debtors	6	10,448,739	7,897,844
Cash at bank and in hand		<u>5,265,946</u>	<u>4,736,115</u>
		15,743,642	12,665,432
<b>Current liabilities</b>			
Creditors: Amounts falling due within one year	7	<u>(236,610)</u>	<u>(398,264)</u>
<b>Net assets attributable to members</b>		<u>15,507,032</u>	<u>12,267,168</u>
<b>Represented by:</b>			
<b>Loans and other debts due to members within one year</b>	9	18,024	51,903
<b>Members' other interests classified as equity</b>			
Members' capital	9	1,086,999	686,999
Other reserves	9	<u>14,402,009</u>	<u>11,528,266</u>
		<u>15,489,008</u>	<u>12,215,265</u>
		<u>15,507,032</u>	<u>12,267,168</u>
<b>Total members' interests:</b>			
Members' other interests	9	15,489,008	12,215,265
Loans and other debts due from members	9	(6,443,432)	(4,486,899)
Loans and other debts due to members	9	<u>18,024</u>	<u>51,903</u>
		<u>9,063,600</u>	<u>7,780,269</u>

The financial statements were approved on 22 June 2016 and signed on behalf of the members by:



Dominic Johnson  
Designated Member



Jacob Rees-Mogg  
Designated Member

Somerset Capital Management LLP  
Company No: OC327862

The notes on pages 11 to 19 form part of these financial statements.

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**SOMERSET CAPITAL MANAGEMENT LLP**

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**STATEMENT OF CHANGES IN EQUITY**

for the year ended 31 March 2016

	<b>Members' capital (classified as equity) £</b>	<b>Other reserves £</b>	<b>Total £</b>
Members' interests at 1 April 2014	636,999	5,632,527	6,269,526
Profit for the year available for discretionary division among members	-	14,685,689	14,685,689
Members' interests after profit for the year	636,999	20,318,216	20,955,215
Introduced by members	50,000	-	50,000
Repaid to members	-	-	-
Allocation of profit	-	(8,789,950)	(8,789,950)
Members' interests at 31 March 2015	<u>686,999</u>	<u>11,528,266</u>	<u>12,215,265</u>
Members' interests at 1 April 2015	686,999	11,528,266	12,215,265
Profit for the year available for discretionary division among members	-	18,346,508	18,346,508
Members' interests after profit for the year	686,999	29,874,774	30,561,773
Introduced by members	400,000	-	400,000
Repaid to members	-	-	-
Allocation of profit	-	(15,472,765)	(15,472,765)
Members' interests at 31 March 2016	<u>1,086,999</u>	<u>14,402,009</u>	<u>15,489,008</u>

The notes on pages 11 to 19 form part of these financial statements.

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**SOMERSET CAPITAL MANAGEMENT LLP**

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**CASH FLOW STATEMENT**

for the year ended 31 March 2016

	Note	Year ended 31 March 2016 £	Year ended 31 March 2015 £
<b>Net cash generated from operating activities</b>	10	17,515,111	13,626,806
<b>Cash flow from investing activities</b>			
Interest received		4,526	2,554
Dividends received		<u>383</u>	<u>428</u>
<b>Net cash used in investing activities</b>		<u>4,909</u>	<u>2,982</u>
<b>Cash flow from financing activities</b>			
Capital introduced by members		400,000	50,000
Drawings paid to members		(17,384,087)	(10,731,478)
Other amounts due to members		<u>82,186</u>	<u>(126,388)</u>
<b>Net cash used in financing activities</b>		<u>(16,901,901)</u>	<u>(10,807,866)</u>
<b>Net increase in cash and cash equivalents</b>		618,119	2,821,922
Foreign exchange translation adjustment		(88,288)	32,214
Cash and cash equivalents at the beginning of the year		<u>4,736,115</u>	<u>1,881,979</u>
<b>Cash and cash equivalents at the end of the year</b>	10	<u>5,265,946</u>	<u>4,736,115</u>

The notes on pages 11 to 19 form part of these financial statements.

## **SOMERSET CAPITAL MANAGEMENT LLP**

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### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016**

#### **1. ACCOUNTING POLICIES**

##### **General information**

Somerset Capital Management LLP ("the LLP") is a Limited Liability Partnership incorporated in the United Kingdom. The address of its registered office is 28 Ely Place (3<sup>rd</sup> Floor), London, EC1N 6TD.

##### **Statement of compliance**

The financial statements of the LLP are prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom and Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"). The LLP has also early adopted the Amendments to FRS 102 (issued in July 2015).

##### **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **a) Basis of accounting**

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006, as applied to Limited Liability Partnerships. The financial statements have also been prepared in compliance with the Statement of Recommended Practice: Accounting by Limited Liability Partnerships (2014 version). Applicable accounting standards and policies in the United Kingdom are applied consistently. This is the first year in which the financial statements have been prepared under FRS 102. The date of transition to FRS 102 is 1 April 2014. Details of the transition to FRS 102 are disclosed in note 13.

##### **b) Going concern**

On the basis of their assessment of the LLP financial position and resources, the members believe that the LLP is well placed to manage its business risks and have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### **c) Turnover**

Turnover comprises investment management fees. Fees are accounted for in the profit and loss account on an accruals basis exclusive of value added tax.

##### **d) Administrative expenses**

Expenses relate to costs incurred by the LLP in relation to the administration and business of the LLP and are recognised on an accruals basis.

##### **e) Taxation**

No provision for taxation is made in the LLP's financial statements as any liability arising is assessable directly on the individual members.

## **SOMERSET CAPITAL MANAGEMENT LLP**

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### **NOTES TO THE FINANCIAL STATEMENTS – continued for the year ended 31 March 2016**

**f) Foreign currencies**

**(i) Functional and presentation currency**

The LLP's functional and presentation currency is the pound sterling.

**(ii) Transactions and balances**

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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within the operating profit.

**g) Current asset investments**

All investments are initially recorded at cost and measured at fair value at the balance sheet date. Provision is made for any permanent diminution in value.

**h) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts, when applicable, are shown within creditors in current liabilities.

**i) Financial instruments**

The LLP has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including 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.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income immediately.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income immediately.

**NOTES TO THE FINANCIAL STATEMENTS – continued**  
**for the year ended 31 March 2016**

**i) Financial instruments -continued**

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.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other creditors and amounts owed to related party undertakings, 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 creditors 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.

**(iii) Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

**j) Members' remuneration and interests**

Members' rights to participate in the profits or losses, or assets of the LLP are analysed between those that give rise to, from the LLP's perspective, either a financial liability or equity, in accordance with Section 11 and 12, 'of FRS 102 - Financial Instruments: Disclosure and Presentation' and Section 22 of FRS 102 'Members' Shares in Co-operative Entities and Similar Instruments'. Members' different participation rights are analysed separately into liability and equity elements. Where the LLP has a contractual obligation to deliver cash or another financial asset to the member, the capital is treated as debt. Where the LLP has an unconditional right to avoid delivering cash or other financial assets to a member in respect of such amounts (i.e. repayment of the member's capital is discretionary), it is treated as equity.

**(i) Members' remuneration**

Non-discretionary amounts becoming due to members in respect of participation rights in the profits of the LLP for an accounting period that give rise to liabilities are presented as an expense within the income statement (within the heading Members' remuneration charged as an expense).

Amounts becoming due to members in respect of equity participation rights, following a discretionary division of profits, are debited directly to equity in the accounting period in which the division occurs.

## **SOMERSET CAPITAL MANAGEMENT LLP**

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### **NOTES TO THE FINANCIAL STATEMENTS – continued for the year ended 31 March 2016**

**j) Members' remuneration and interests - continued**

**(ii) Members' interests**

Such amounts are not presented as an expense within the income statement. A discretionary division of profits that takes place after the balance sheet date is a non-adjusting event under section 32 of FRS 102, 'Events after the balance sheet date'.

**k) Critical judgements and estimates in applying the accounting policy**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

**l) Future amendments to FRS 102**

Amendments to FRS 102 were issued in July 2015 as a result of changes to the EU-directives and UK Companies Regulations. The amendments are mandatory for periods beginning on or after 1 January 2016, with early adoption permitted for periods beginning on or after 1 January 2015. Entities have to adopt and comply with all amendments if they elect to early adopt the Amendments to FRS 102 (issued in July 2015). The amendments to FRS 102 (issued in July 2015) have been early adopted by the LLP in these financial statements. None of these amendments are expected to have a significant effect on the financial statements of the LLP.

**2. OPERATING PROFIT**

	<b>Year ended 31 March 2016 £</b>	<b>Year ended 31 March 2015 £</b>
This is stated after charging:		
Auditors' remuneration:		
- Audit services	4,700	4,200
- Taxation services	2,750	2,400
Foreign exchange loss/(gain)	<u>46,492</u>	<u>(61,503)</u>

A management charge of £6,010,233 (2015: £4,098,797) was paid to the corporate member, Somerset Capital Management Limited (see note 11 on Related Party Transactions). This includes the auditors' remuneration shown above.

**3. EMPLOYEES**

The partnership has no direct employees.

## **SOMERSET CAPITAL MANAGEMENT LLP**

### **NOTES TO THE FINANCIAL STATEMENTS - continued** **for the year ended 31 March 2016**

#### **4. MEMBERS' REMUNERATION**

The profit for the year available for discretionary division among members was £14,402,009 (2015: £11,528,266).

The largest entitlement to profit of a member during the year was £697,167 (2015: £558,056).

<b>Average monthly number of members</b>	<b>Year ended 31 March 2016</b>	<b>Year ended 31 March 2015</b>
Office and management	10	10
Corporate members	8	8
	<u>18</u>	<u>18</u>

#### **5. CURRENT ASSET INVESTMENTS**

	<b>31 March 2016 £</b>	<b>31 March 2015 £</b>
Other investments: PFS Somerset Global Emerging Markets Fund	<u>28,957</u>	<u>31,473</u>

#### **6. DEBTORS**

	<b>31 March 2016 £</b>	<b>31 March 2015 £</b>
Amounts due from members	6,443,432	4,486,899
Trade debtors	3,460,822	2,843,473
Amounts due from Somerset Capital Management Singapore Pte Limited (note 11)	118,562	153,472
Amounts due from Somerset Capital Management (Cayman) Limited (note 11)	27,816	33,670
Prepayments and accrued income	397,908	360,139
Other debtors	-	7,460
VAT receivable	199	12,731
	<u>10,448,739</u>	<u>7,897,844</u>

#### **7. CREDITORS: Amounts falling due within one year**

	<b>31 March 2016 £</b>	<b>31 March 2015 £</b>
Trade creditors	15,920	11,237
Other creditors	219,089	385,487
Accruals	1,601	1,540
	<u>236,610</u>	<u>398,264</u>



## SOMERSET CAPITAL MANAGEMENT LLP

### NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 March 2016

#### 8. FINANCIAL INSTRUMENTS BY CATEGORY

	31 March 2016 £	31 March 2015 £
Financial assets at fair value through profit and loss	-	-
Financial assets that are debt instruments measured at amortised cost	10,439,047	7,884,768
Financial liabilities measured at amortised cost	254,634	450,167
Financial liabilities at fair value through profit and loss	-	-

#### 9. RECONCILIATION OF MOVEMENTS IN MEMBERS OTHER AND TOTAL INTERESTS

	Members' capital £	Other reserves classified as equity £	2016 Total £	Loans and other debts due to/from members £	2016 Total £	2015 Total £
Amounts due to members	-	-	-	51,903	-	-
Amounts due from members	-	-	-	(4,486,899)	-	-
Opening Members' interests	686,999	11,528,266	12,215,265	(4,434,996)	7,780,269	3,515,276
Profit for the financial year available for division among members	-	18,346,508	18,346,508	-	18,346,508	14,685,689
Members' interests after profit for the year	686,999	29,874,774	30,561,773	(4,434,996)	26,126,777	18,200,965
Division of profit	-	(15,472,765)	(15,472,765)	15,472,765	-	-
Introduced by Members	400,000	-	400,000	-	400,000	50,000
Drawings	-	-	-	(17,384,087)	(17,384,087)	(10,731,478)
Other movements	-	-	-	(79,090)	(79,090)	260,782
	1,086,999	14,402,009	15,489,008	(6,425,408)	9,063,600	7,780,269
Amounts due to members	-	-	-	18,024	-	-
Amounts due from members	-	-	-	(6,443,432)	-	-
Members' interests at 31 March 2016	1,086,999	14,402,009	15,489,008	(6,425,408)	9,063,600	7,780,269

Amounts due to members rank pari passu with the claims of other creditors in a winding up of the LLP.

## SOMERSET CAPITAL MANAGEMENT LLP

### NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 March 2016

#### 10. RECONCILIATION OF PROFIT TO CASH FROM OPERATING ACTIVITIES

	Year ended 31 March 2016 £	Year ended 31 March 2015 £
Profit for the year available for discretionary division among members	14,402,009	11,528,266
Members' remuneration charged as an expense	3,944,499	3,157,423
Interest income	(2,393)	(5,794)
<b>Operating profit</b>	<b>18,344,115</b>	<b>14,679,895</b>
Increase in debtors	(713,777)	(1,114,132)
(Decrease)/increase in creditors	(203,515)	93,257
Foreign exchange differences	88,288	(32,214)
Net cash generated from operating activities	<b>17,515,111</b>	<b>13,626,806</b>

#### 11. RELATED PARTY TRANSACTIONS

##### Transactions with related party undertakings

Somerset Capital Management LLP (the "LLP") is under the control of the designated members.

During the year the LLP paid to its corporate member, Somerset Capital Management Limited ("SCM Limited"), management charges of £6,010,233 (2015: £4,098,797) in respect of expenses incurred on behalf of the LLP. SCM Limited is controlled by Dominic Johnson, Jacob Rees-Mogg and Edward Robertson, members of the LLP.

At 31 March 2016 SCM Limited owed the LLP £119,416 (2015: the LLP owed SCM Limited £41,862).

During the year the LLP paid no management charges to Somerset Capital Management Singapore Pte Limited ("SCMS Limited") (2015: £Nil) in respect of expenses incurred on behalf of the LLP. The LLP received management fees of £694,140 (2015: £1,046,076) from SCMS Limited in respect of research advisory, operational and administrative services. At 31 March 2016, SCMS Limited owed the LLP £118,562 (2015: £153,472). SCMS Limited is ultimately controlled by Dominic Johnson, Jacob Rees-Mogg and Edward Robertson, members of the LLP.

At 31 March 2016, Somerset Capital Management (Cayman) Limited ("SCMC Limited") owed the LLP £27,816 (2015: £33,670). SCM Limited, the corporate member, is the parent undertaking of SCMC Limited.

#### 12. POST BALANCE SHEET EVENTS

During June 2016 the LLP allocated profits of £14,402,009 to members (June 2015: £11,528,266).

## **SOMERSET CAPITAL MANAGEMENT LLP**

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### **NOTES TO THE FINANCIAL STATEMENTS - continued** **for the year ended 31 March 2016**

#### **13. TRANSITION TO FRS 102**

This is the first year that the LLP has presented its results under FRS 102. FRS 102 has been adopted by the LLP for year ended 31 March 2016. The last financial statements under the UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 March 2015 and the total equity as at 31 March 2016 and 31 March 2015 between UK GAAP as previously reported and FRS 102. The LLP has also early adopted the Amendments to FRS 102 (issued in July 2015).

#### **Exemptions for qualifying entities under FRS 102**

The LLP has taken advantage of no exemptions.

#### **Reconciliation of profit**

	<b>Year ended 31 March 2015 £</b>
Profit for the year available for discretionary division among members as previously reported under UK GAAP	<u>11,528,266</u>
Profit for the year available for discretionary division among members as reported under FRS 102	<u>11,528,266</u>

#### **Reconciliation of other comprehensive income**

	<b>Year ended 31 March 2015 £</b>
Other comprehensive income for year as previously reported under UK GAAP	-
Adjustments on transition	-
Other comprehensive income for the year as reported under FRS 102	<u>-</u>

#### **Reconciliation of equity**

	<b>Year ended 31 March 2015 £</b>
Total equity as previously reported under UK GAAP	<u>12,215,265</u>
Total equity as reported under FRS 102	<u>12,215,265</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 March 2016**

**13. TRANSITION TO FRS 102 - continued**

**Other adjustment arising on transition to FRS 102**

In addition to the transition adjustments identified above which affect profit for the financial year, the following adjustment has arisen which has had no effect on net assets or statement of comprehensive income but which has affected the presentation of these items in the financial statements:

**Cash flow statement**

The LLP's cash flow statement reflects the presentation requirements of FRS 102 which is different to that prepared under FRS 1. In addition the cash flow statement reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value', whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.