

## **DG Partners LLP**

Registered Number: OC302881

### **Members' Report and Audited Financial Statements**

For the year ended 31 December 2020



## DG Partners LLP

Registered Number: OC302881

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DG Partners LLP

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Registered Number: OC302881

## **Administrative information**

### **Designated members**

DM Gorton  
DG Partners Services Limited

### **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**

55 Baker Street  
London  
W1U 7EU

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## **Members' report**

**For the year ended 31 December 2020**

The members present their report and the audited financial statements of DG Partners LLP ("the LLP") for the year ended 31 December 2020.

### **Principal activity and review of business**

The principal activity of the LLP in the year under review was that of providing investment management services to certain funds and managed accounts for which it acts as investment manager.

DG Partners Services Limited acts as a service company to the LLP and is also a member of the LLP.

Since October 2010, a number of the members of the LLP have also been appointed as members of BH-DG Systematic Trading LLP ("BHDG"). Although the LLP manages some of its funds using the same systematic trading models as BHDG, the members are of the opinion that this does not constitute a conflict of interest.

The LLP shares a wide range of resources with BHDG, these being primarily staff and technology. Costs associated with these resources are shared between the two entities and are split on a percentage usage basis.

The members do not anticipate any change in the overall nature of the LLP's principal activity in the foreseeable future. Please refer to the section entitled "Principal Risks and Uncertainties" below in relation to Covid-19 related disclosures.

### **Results and allocation to members**

The results for the year are shown in the statement of comprehensive income on page 9. The LLP allocated £nil (2019: £nil) of its profits to its members. The statement of financial position as detailed on page 10 shows a satisfactory position. Members' total interests amount to £3,725,020 (2019: £3,822,585).

Any profits that have been shared amongst the members are decided by the Board, and governed by the Partnership Agreement dated 4 November 2019.

### **Policy for members' drawings, subscriptions and repayments of members' capital**

Policies for members' drawings, subscriptions and repayment of members' capital are governed by the Limited Liability Partnership Agreement. In summary, the capital is contributed by each member upon admission to the Partnership and shall be repayable only at the absolute discretion of the Board. The Board also has sole discretion to determine and vary the level of each member's drawings.

### **Financial risk management**

The key business risks and uncertainties affecting the business relate to the performance and level of assets under management.

The members consider that the LLP has sufficient capital and other resources to continue in operation as a going concern for at least 12 months from the date of these accounts.

The LLP is not exposed to any material cashflow, price, liquidity or credit risks.

### **Designated members**

The designated members of the LLP during the year and up to the date of this report were as follows:

D M Gorton - (Board member)

DG Partners Services Limited

## **Members' report (continued)**

**For the year ended 31 December 2020**

### **Statement of disclosure of information to auditors**

So far as each person who was a designated member at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report of which the auditor is unaware. Having made enquiries of fellow members, each member has taken all the steps that they are obliged to take as a member in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### **Going concern**

The LLP is a regulated entity. As such, the LLP is required to maintain sufficient capital under the regulations of the Financial Conduct Authority, which it continues to do. The LLP believes it is appropriate to prepare the financial statements on a going concern basis because it is the intention to continue to run the business as such, there are short term and multi-year financial plans that indicate the LLP will continue to operate as a going concern and a reasonable expectation that those plans can be implemented. Please refer to the section entitled "Principal Risks and Uncertainties" below in relation to Covid-19 related disclosures.

### **Principal risks and uncertainties**

#### Coronavirus

The LLP has also considered the circumstances resulting from the outbreak of COVID-19.

Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that result in disrupted markets and/or interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and public response to or fear of such crises or events, may have an adverse effect on the operations of the LLP and investments for clients. For example, any preventative or protective actions taken by governments in response to such crises or events may result in periods of business disruption either in specific countries or worldwide. Such actions may significantly reduce, delay, suspend or otherwise disrupt the operations of the LLP, clients and service providers to the foregoing. Further, the occurrence and duration of such crises or events could adversely affect economies and financial markets either in specific countries or worldwide. The impact of such crises or events could lead to negative consequences for the LLP's clients, including, without limitation, significant reduction in the net asset value of clients, reduced liquidity of investments, restrictions on the ability of clients to value investments and the potential suspension of the calculation of net asset value and hence the suspension of issues, redemption and exchanges of shares.

Recent market turmoil resulting from the COVID-19 outbreak has prompted U.S. and non-U.S. governments, central banks and other government entities to introduce stimulus programs and other acts of governmental intervention to mitigate the economic fallout of the COVID-19 outbreak. No assurances can be made that any such measures would be successful. The implementation of such programs could increase the volatility of the markets in which the LLP's clients invest, resulting in rapid shifts in performance.

The LLP has been required to adapt its business operations and processes in response to the outbreak of COVID-19. Business continuity measures have been successfully enacted and the LLP continues to function with minimal disruption to its day-to-day business activities. The LLP has strong financial and operational controls and the key management personnel have substantial experience in business and operational management. Furthermore, the LLP's staff and contractors are highly competent individuals. The LLP has demonstrated that it is able to continue to function and manage its clients with minimal disruption despite the lockdown, operating remotely since March 2020. Assets have grown materially during the lockdown to date, due to a combination of positive performance and net inflows.

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## Members' report (continued)

For the year ended 31 December 2020

### Principal risks and uncertainties (continued)

#### Potential Implications of Britain's Withdrawal from the European Union ("Brexit")

The United Kingdom is no longer a member state of the European Union. Despite the negotiation of the UK-EU Trade and Cooperation Agreement in December 2020, the future economic and political relationship between the United Kingdom and the European Union (and between the United Kingdom and other countries) remains uncertain in many respects, and a period of economic and political uncertainty may therefore continue in the United Kingdom and the European Union. The relevant regulatory authorities in the United Kingdom may in the future make changes to their rules which deviate from the standards applicable in the European Union. Such changes may be adverse to the LLP's ability to operate effectively and/or to its clients. The on-going negotiations between the United Kingdom and the European Union in respect of their relationship may lead to unpredictable outcomes, such as market volatility or impact on certain asset classes. Other member states of the European Union may also reconsider their European Union membership. This could result in one or more other countries leaving the European Union, or in major reforms or other changes being made to the European Union or to the Eurozone. The nature and extent of the impact of these factors on the LLP's clients are uncertain, but may be significant.

### Pillar 3 disclosures

The unaudited Pillar 3 disclosures of the LLP as required by the FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) Chapter 11 - Disclosure (Pillar 3) are available on the LLP's website at <http://www.dgpartners.co.uk/>.

### Remuneration code disclosures

The remuneration code disclosures of the LLP as required by the FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) 11.5.18 and SYSC 19A – Disclosure obligations in relation to the remuneration of code staff, are available on the LLP's website at <http://www.dgpartners.co.uk/>.

### UK stewardship code disclosures

The UK stewardship code disclosures of the LLP as required by the FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) COBS 2.2.3 – Disclosure of commitments to the Financial Reporting Council's Stewardship Code are available on the LLP's website at <http://www.dgpartners.co.uk/>.

### Auditors

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

On behalf of the members

D M Gorton

Designated member

26 April 2021



## **Statement of designated members' responsibilities in respect of the financial statements**

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

Legislation applicable to limited liability partnerships requires the designated members to prepare financial statements for each financial year. Under that law the designated members 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. The designated 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 LLP and of the profit or loss of the LLP for that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business in which case there should be supporting assumptions or qualifications as necessary; and
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements.

The designated members are responsible for keeping proper accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and to ensure that the financial statements comply with the Limited Liability Partnership (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report**

### **To the members of DG Partners LLP**

#### **Opinion on the 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 December 2020 and of its profit 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 applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

We have audited the financial statements of DG Partners LLP ("the Limited Liability Partnership") for the year ended 31 December 2020 which comprise the Statement of comprehensive income, Statement of financial position, Reconciliation of members' interests, 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).

#### **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 Limited Liability Partnership 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**

In auditing the financial statements, we have concluded that the Members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Limited Liability Partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Members with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The Members are responsible for the other information. The other information comprises the information included in the report and accounts 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.



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## **Independent auditors' report (continued)**

**To the members of DG Partners LLP**

### **Other Companies Act 2006 reporting as applied to limited liability partnerships**

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

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

### **Responsibilities of Members**

As explained more fully in the Statement of designated members' responsibilities the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Limited Liability Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the Limited Liability Partnership 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.

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the LLP and the industry in which it operates, and considered the risk of acts by the LLP which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the accounting standards and the Financial Conduct Authority's regulations.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management; and
- review of minutes of board meetings throughout the period.

We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Designated Members that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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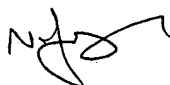
## **Independent auditors' report (continued)**

**To the members of DG Partners LLP**

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Limited Liability Partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the Limited Liability Partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Limited Liability Partnership and the Limited Liability Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.



Neil Fung-On (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London, UK

**27 April 2021**

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 2020

	Note	2020 £	2019 £
<b>Turnover</b>	3		
Management and performance fees		9,130,845	8,970,952
Other income		<u>1,415,017</u>	<u>1,405,835</u>
		<b>10,545,862</b>	<b>10,376,787</b>
<b>Cost of sales</b>			
Fees payable	4, 14	<u>(5,002,106)</u>	<u>(4,048,798)</u>
<b>Gross profit</b>		<b>5,543,756</b>	<b>6,327,989</b>
<b>Expenses</b>			
Administrative expenses		(2,905,438)	(3,360,351)
Expenses reimbursement to DG Partners Services Limited	14	<u>(1,379,021)</u>	<u>(2,176,779)</u>
<b>Operating profit</b>	5	<b>1,259,297</b>	<b>790,859</b>
Interest receivable		1,204	4,302
Net foreign exchange gains/(losses)		<u>197,241</u>	<u>(53,409)</u>
<b>Profit for the financial year before members' remuneration</b>		<b>1,457,742</b>	<b>741,752</b>
Members' remuneration charged as an expense	6	<u>(807,598)</u>	<u>(545,272)</u>
<b>Profit for the financial year available for discretionary division among members</b>		<b>650,144</b>	<b>196,480</b>
<b>Other comprehensive income</b>			
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive profit for the year</b>		<b><u>650,144</u></b>	<b><u>196,480</u></b>

All activities are derived from continuing operations.

## Statement of financial position

As at 31 December 2020

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Tangible fixed assets	7	155,747	309,063
		<b>155,747</b>	<b>309,063</b>
<b>Current assets</b>			
Debtors	9	5,340,188	4,906,074
Cash and cash equivalents	10	3,420,410	2,688,809
		<b>8,760,598</b>	<b>7,594,883</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	11	(2,405,770)	(1,757,356)
		<b>6,354,828</b>	<b>5,837,527</b>
<b>Net current assets</b>			
		<b>6,510,575</b>	<b>6,146,590</b>
<b>Net assets attributable to members</b>			
		<b>6,510,575</b>	<b>6,146,590</b>
<b>Represented by:</b>			
Loans and other debts due to members	12	1,280,202	1,566,361
		<b>1,280,202</b>	<b>1,566,361</b>
<b>Members' other interests</b>			
Members' capital classified as equity		7,006,816	7,006,816
Other reserves classified as equity		(1,776,443)	(2,426,587)
		<b>5,230,373</b>	<b>4,580,229</b>
		<b>6,510,575</b>	<b>6,146,590</b>
<b>Total members' interest</b>			
Amounts due from members		(2,785,555)	(2,324,005)
Loans and other debts due to members		1,280,202	1,566,361
Members' other interests		5,230,373	4,580,229
		<b>3,725,020</b>	<b>3,822,585</b>

The financial statements were approved by the members on 26 April 2021 and were signed on their behalf by:

*David Gorton*

**D M Gorton**  
Designated member

## Reconciliation of members' interests

For the year ended 31 December 2020

	Equity			Debt	
	Members' capital	Other reserves	Total members' other interests	Loans and other amounts due to/(from) members	Members' total interests
	£	£	£	£	£
<b>At 1 January 2019</b>	<b>7,005,816</b>	<b>(2,623,067)</b>	<b>4,382,749</b>	<b>(1,987,298)</b>	<b>2,395,451</b>
Profit for the year before members' remuneration charged as an expense	-	741,752	741,752	-	741,752
Members' remuneration charged as an expense	-	(545,272)	(545,272)	545,272	-
Capital introduced	3,000	-	3,000	(1,000)	2,000
Capital repaid	(2,000)	-	(2,000)	-	(2,000)
Drawings	-	-	-	(274,938)	(274,938)
Other movements	-	-	-	960,320	960,320
<b>At 31 December 2019</b>	<b>7,006,816</b>	<b>(2,426,587)</b>	<b>4,580,229</b>	<b>(757,644)</b>	<b>3,822,585</b>
Profit for the year before members' remuneration charged as an expense	-	1,457,742	1,457,742	-	1,457,742
Members' remuneration charged as an expense	-	(807,598)	(807,598)	807,598	-
Drawings	-	-	-	(927,675)	(927,675)
Other movements	-	-	-	(627,632)	(627,632)
<b>At 31 December 2020</b>	<b>7,006,816</b>	<b>(1,776,443)</b>	<b>5,230,373</b>	<b>(1,505,353)</b>	<b>3,725,020</b>
				<b>2020</b>	<b>2019</b>
				<b>£</b>	<b>£</b>
Amounts due to members				1,280,202	1,566,361
Amounts due from members				(2,785,555)	(2,324,005)
				<b>(1,505,353)</b>	<b>(757,644)</b>

## Statement of cash flows

For the year ended 31 December 2020

	Note	2020 £	2019 £
<b>Cash flow from operating activities</b>			
Profit for the year		650,144	196,480
Interest receivable		(1,204)	(4,302)
Net foreign exchange (gains)/losses		(197,241)	53,409
Depreciation of tangible fixed assets	7	420,930	438,773
Decrease/(increase) in debtors		27,436	(1,521,695)
Increase in creditors		648,414	584,334
Members' remuneration charged as an expense	6	807,598	545,272
Payments to members		(927,675)	(274,938)
Other transactions with members		(627,632)	960,320
<b>Net cash generated from operating activities</b>		<b>800,770</b>	<b>977,653</b>
<b>Cash flow from investing activities</b>			
Interest received		1,204	4,302
Payments to acquire tangible fixed assets	7	(267,614)	(109,539)
<b>Net cash outflow from investing activities</b>		<b>(266,410)</b>	<b>(105,237)</b>
<b>Cash flow from financing activities</b>			
Capital repayment		-	(2,000)
Capital introduced		-	2,000
<b>Net cash inflow from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>534,360</b>	<b>872,416</b>
Cash and cash equivalents at the beginning of the year		2,688,809	1,869,802
Net foreign exchange gains/(losses)		197,241	(53,409)
<b>Cash and cash equivalents at the end of the year</b>	10	<b>3,420,410</b>	<b>2,688,809</b>

The net debt for the year ended 31 December 2020 comprises amounts due to members. The movement in amounts due to members is detailed in related party transactions (note 14).

## Notes to the financial statements

For the year ended 31 December 2020

### 1. Accounting policies

#### 1.1 General information

DG Partners LLP ("the LLP") is a limited liability partnership registered in England and Wales. The registered office is 55 Baker Street, London, W1U 7EU.

#### 1.2 Basis of accounting

The financial statements have been prepared under the historical costs convention and in accordance with Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006, and the requirements of the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' ("LLP SORP") issued in December 2018.

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

The following principal accounting policies have been applied:

#### 1.3 Going concern

The LLP is a regulated entity. As such, the LLP is required to maintain sufficient capital under the regulations of the Financial Conduct Authority, which it continues to do. In the "Principal Risks and Uncertainties" section of the Members' report the members have considered the impact that coronavirus could have on the LLP through various stress test scenarios.

The LLP believes it is appropriate to prepare the financial statements on a going concern basis because it is the intention to continue to run the business as such, there are short term and multi-year financial plans that indicate the LLP will continue to operate as a going concern and a reasonable expectation that those plans can be implemented.

#### 1.4 Turnover

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

#### 1.5 Cost of sales

Cost of sales, which is stated net of value added tax, is recognised on an accrual basis.

#### 1.6 Interest income

Interest income is recognised in the statement of comprehensive income.

#### 1.7 Taxation

No provision has been made for taxation in the financial statements. Each member is exclusively liable for any tax liabilities arising out of their interest in the LLP. Tax is assessed on the individual members and not on the LLP.

#### 1.8 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.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 1. Accounting policies (continued)

#### 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 LLP adds to the carrying amount of an item of tangible 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 LLP 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:

Leasehold improvements	-	over the term of the lease
Software	-	over the term of the agreement
Computer equipment	-	over three years

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.

#### 1.10 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.

#### 1.11 Debtors

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

#### 1.12 Creditors

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

#### 1.13 Foreign currencies

##### Functional and presentation currency

The LLP's functional and presentation currency is pound 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.



## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 1. Accounting policies (continued)

#### 1.14 Members' participation rights

Members' participation rights are the rights of a member against the LLP that arise under the LLP Agreement dated 4 November 2019. Members' participation rights in the earnings or assets of the LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with Section 22 of FRS 102 'Liabilities and Equity'. A member's participation right results in a liability where there is a contractual obligation on the part of the LLP to deliver cash, or other financial assets, to the member. Amounts subscribed or otherwise contributed by members, for instance members' capital, are classified as equity where the LLP has an unconditional right to avoid delivering cash or other assets to the member (i.e. the right to any payment or repayment is discretionary on the part of the LLP). If the LLP does not have such an unconditional right, such amounts are classified as liabilities.

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

In applying the LLP's accounting policies, the members are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The members' 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 accounting estimates and assumptions

The LLP 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.

##### Useful economic lives of non-financial assets

The annual depreciation charge for tangible fixed 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 7 for the carrying amount of the tangible fixed assets, and note 1.9 for the useful economic lives for each class of assets.

#### (b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### Recoverability of accrued income

When assessing recoverability, the members consider factors such as the aging of the debtors and past experience of recoverability. On the basis of this assessment, the amount £2,412,213 (2019: £2,321,982) included in accrued income has been considered fully recoverable.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 3. Turnover

Turnover represents fees for investment management and advisory services provided during the year and facility recharges. Management fees and facility recharges are recognised on an accruals basis and performance fees are accrued when they crystallise. All turnover in the year arose from continuing activities performed in the United Kingdom, being the supply of fund management services to offshore funds and facilities recharges to BH-DG Systematic Trading LLP ("BHDG").

Turnover also includes other income which comprises recharges for costs incurred by the LLP on behalf of other entities, accounted for on an accruals basis.

### 4. Cost of sales

Cost of sales represents fees for investment management and advisory services incurred during the year. Management fees payable are recognised on an accruals basis and performance fees payable are accrued when the underlying income crystallises. All cost of sales in the year arose from continuing activities performed in the United Kingdom, being the receipt of fund management services to offshore funds by BHDG.

### 5. Operating profit

Operating profit is stated after charging:

	2020 £	2019 £
Depreciation	420,930	438,773
Auditors' remuneration:		
- Audit services - current year audit	23,548	9,419
- Accounting and tax services	6,998	11,105
Operating lease rentals	<u>289,058</u>	<u>452,052</u>

### 6. Members' remuneration

A member's share in the profit or loss for the year is accounted for as an allocation of profits or losses. Any unallocated losses are distributed amongst the founder members in accordance with the LLP Agreement.

Amounts due to members in respect of equity participation rights, following a discretionary division of profits, are debited to equity and credited to members' current accounts in the year when the allocation occurs. Unallocated profits and losses are included within 'other reserves' and are included in equity. Any drawings paid in respect of these unallocated profits are included within debtors.

	2020 £	2019 £
Profit for the financial year before members' remuneration and profit share and available for division among members	<u>1,457,742</u>	<u>741,752</u>
Members' remuneration charged as an expense	<u>807,598</u>	<u>545,272</u>

The average number of members in the year was 7 (2019: 8)

During the year no profit allocation was made (2019: no profit allocation was made), with the total profit attributable to the member with the largest entitlement, including members' remuneration charged as an expense, being £641,473 (2019: £300,000).

**Notes to the financial statements (continued)**

For the year ended 31 December 2020

**7. Tangible fixed assets (restated)**

	Leasehold improvements	Software	Computer equipment	Total
<b>Cost:</b>				
As at 1 January 2020 restated	472,226	2,055,409	129,734	2,657,369
Additions	-	267,614	-	267,614
<b>At 31 December 2020</b>	<b>472,226</b>	<b>2,323,023</b>	<b>129,734</b>	<b>2,924,983</b>
<b>Depreciation:</b>				
As at 1 January 2020 restated	408,991	1,816,275	123,040	2,348,306
Charge for the year	63,235	354,057	3,638	420,930
<b>At 31 December 2020</b>	<b>472,226</b>	<b>2,170,332</b>	<b>126,678</b>	<b>2,769,236</b>
<b>Net book value:</b>				
<b>At 31 December 2020</b>	<b>-</b>	<b>152,691</b>	<b>3,056</b>	<b>155,747</b>
At 31 December 2019 restated	63,235	239,134	6,694	309,063

**8. Prior Period Error**

Tangible fixed assets restatement for 2019

	Leasehold improvements	Software	Computer equipment	Total
<b>Cost:</b>				
At 31 December 2019	472,226	2,125,232	59,911	2,657,369
Adjustment to disposals	-	(69,823)	69,823	-
<b>At 31 December 2019 restated</b>	<b>472,226</b>	<b>2,055,409</b>	<b>129,734</b>	<b>2,657,369</b>
<b>Depreciation:</b>				
At 31 December 2019	408,991	1,886,098	53,217	2,348,306
Adjustment to disposals	-	(69,823)	69,823	-
<b>At 31 December 2019 restated</b>	<b>408,991</b>	<b>1,816,275</b>	<b>123,040</b>	<b>2,348,306</b>
<b>Net book value:</b>				
<b>At 31 December 2019 restated</b>	<b>63,235</b>	<b>239,134</b>	<b>6,694</b>	<b>309,063</b>

The disposal previously recognised in 2019 was recognised in the incorrect asset class. A restatement has been made moving this disposal from computer equipment to software in the second table of this note. The total fixed assets remain unchanged, the restatement only changes the individual balances of computer equipment and software.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 9. Debtors

	2020 £	2019 £
<b>Due within one year</b>		
Trade debtors	5,373	8,223
Amounts due from members	2,785,555	2,324,005
Amounts due from related parties (note 14)	1,112	-
Other debtors	81,037	85,701
Prepayments and accrued income	2,467,111	2,488,145
	<u>5,340,188</u>	<u>4,906,074</u>

### 10. Cash and cash equivalents

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

	2020 £	2019 £
Cash at bank	<u>3,420,410</u>	<u>2,688,809</u>

### 11. Creditors

	2020 £	2019 £
<b>Due within one year</b>		
Trade creditors	209,242	94,221
Other creditors	-	56,971
Amounts due to related parties (note 14)	2,029,848	1,199,723
Accruals and deferred income	166,680	406,441
	<u>2,405,770</u>	<u>1,757,356</u>

### 12. Loans and other debts due to members

	2020 £	2019 £
Amounts due to members (note 14)	<u>1,280,202</u>	<u>1,566,361</u>

Loans and other debts due to members rank equally with debts due to ordinary creditors in the event of a winding up. All amounts due to members are interest free and repayable on demand.

## Notes to the financial statements (continued)

For the year ended 31 December 2020

### 13. Operating lease commitments

At 31 December, the LLP had future minimum rentals under non-cancellable operating leases as set out below:

	2020	2019
	£	£
<b>Land and buildings</b>		
Within one year	-	324,112

### 14. Related party transactions

During the year, the LLP reimbursed expenses of £1,379,021 (2019: £2,176,799) to DG Partners Services Limited ("DGP LTD"), a designated member of the LLP. During the year, DGP LTD made disbursement payments of £3,993 (2019: £3,651) on behalf of the LLP. The LLP received £29,354 (2019: £57,890) during the year on behalf of DGP LTD and made payments of £2,040,000 (2019: £1,278,000) to DGP LTD. At 31 December 2020, £638,729 (2019: £1,266,361) was due to DGP LTD and is included within members' interests.

DGP LLC is a US based company which is a wholly owned subsidiary of DG Partners International Limited, the ultimate controlling party of DGP LTD. During the year, the LLP charged DGP LLC service charges of £11,145 (2019: £16,272) and made disbursement payments of £2,060 (2019: £55,589) on behalf of DGP LLC. During the year, DGP LLC charged the LLP £238,847 (2019: £360,305) for marketing services provided to the LLP. At 31 December 2020, £1,112 (2019: £22,934) was due from (2019: due to) DGP LLC which is included within debtors (2019: creditors).

David Gorton, a designated member of the LLP, is also a member of BHDG. During the year, the LLP charged BHDG facility charges of £839,693 (2019: £980,886) and incurred facility charges from BHDG of £1,208,941 (2019: £1,205,390). In addition, the LLP is the manager and AIFM of BHST and ERISA, as mentioned in the Members' report. The LLP passed on management and performance fees of £4,782,787 (2019: £3,864,646) to BHDG, which is recognised in cost of sales. At 31 December 2020, a net amount of £2,029,848 (2019: £1,176,789) was due to BHDG which is included within creditors.

Key management personnel are considered to be the members of the LLP and the cost to the LLP has been disclosed in the reconciliation of members' interests and the members' remuneration note (note 6).

During the year, 3 (2019: 3) members of the LLP were also members of BHDG and they received £882,760 (2019: £325,093) remuneration from BHDG.

### 15. Ultimate controlling party

The ultimate controlling party is considered to be DM Gorton.