

Registered number: OC 303111

Members' Report and Financial Statements

FINISTERRE CAPITAL LLP

For the year ended 31 December 2020



FINISTERRE CAPITAL LLP

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FINISTERRE CAPITAL LLP

INFORMATION

Designated Members

R Biosse Duplan (resigned 31 December 2020)
Principal Global Financial Services (Europe) II Ltd
PGI Finisterre Holding Company Limited (appointed 31 December 2020)

Members

D Walker (resigned 31 January 2020)
U Newman (resigned 31 January 2020)
D Buchet (resigned 31 December 2020)
H Sofuoglu (resigned 1 July 2020)
Principal Global Investors, LLC
Finisterre Capital UK Limited ("FCUK Ltd")

LLP registered number

OC 303111

Registered office

10 New Burlington Street
London
W1S 3BE

Auditors

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Solicitors

Herbert Smith LLP
Exchange House
Primrose Street
London
EC2A 2HS

Bankers

HSBC
133 Regent Street
London
W1B 4HX

FINISTERRE CAPITAL LLP

MEMBERS' REPORT

The members present their annual report and the audited financial statements of Finisterre Capital LLP ("the LLP") for the year ended 31 December 2020. The members confirm that the members' report and financial statements of the LLP comply with current statutory requirements and the requirements of the LLP's governing document.

Principal activity

The principal activity of the LLP, which is authorised by the Financial Conduct Authority, is to provide asset management services.

Future developments

On 27 May 2020, the Board of Directors of Finisterre Credit Master Fund and feeders, funds for which the LLP provides asset management services, resolved to place these funds into liquidation. These funds are currently in liquidation. The LLP, together with four other Finisterre related companies are part of group of companies ("Group"). As a result of the closure of these funds and wider Group internal reorganization efforts, on 23 December 2020, the LLP entered into an intra-group agreement with its affiliate, Principal Global Investors (Europe) Limited ("PGIE") relating to the sale and purchase of the business of the LLP ("business transfer"). Per the agreement, the business transfer is effective on 1 January 2021.

The members resolved by written resolution circulated on 21 December 2020 and effective from 22 December 2020 to approve its intention to liquidate the LLP during 2021 following the business transfer to PGIE. As a result of this, the LLP will cease trading and subsequently be put into liquidation, subject to regulatory permission. In line with this, the LLP filed a Principal 11 notification to the FCA to notify them of the intention to cancel its regulatory authority in 2021 once it is able to do so. As a result, the LLP has prepared its financial statements on a liquidation basis. Please refer to note 1.2 for further details on this.

In addition to this, Finisterre Malta Limited ("FML") and Finisterre USA Inc. ("FUSA") both related parties due to common ownership were put into liquidation on 10 December 2020.

Results

The LLP's (loss)/profit for the year ended 31 December 2020 was (£4,111,104) (2019: £6,272,539) and its state of affairs at that date are set out in the financial statements on pages 7 to 18.

Designated Members

R Biosse Duplan and Principal Global Financial Services (Europe) II Ltd were designated members during the year. R Biosse Duplan resigned as member of the LLP on 31 December 2020 and PGI Finisterre Holding Company Limited, an existing member was appointed as designated member on 31 December 2020.

Members' drawings, subscriptions, repayments of capital and profit allocation

Policies for members' drawings, subscriptions and repayment of members' capital are governed by the amended and restated Limited Liability Partnership Agreement dated 29 December 2016, as subsequently amended.

The capital requisite for carrying on the business of the LLP shall be agreed and contributed by the members from time to time.

Details of changes in members' capital in the year ended 31 December 2020 are set out in the financial statements.

Members are remunerated from the profits of the LLP and are required to make their own provision for pensions and other benefits. Profits are allocated and divided between members after finalisation of the financial statements. Members draw a proportion of their profit shares monthly during the year in which it is made, with the balance of profits being distributed after the year, subject to the cash and regulatory capital requirements of the business.

Pillar 3

In accordance with the rules of the Financial Conduct Authority, the LLP has published information on its risk management objectives and policies on its regulatory capital requirements and resources. This information is disclosed at <https://finisterrecapital.com/pillar-3/>

FINISTERRE CAPITAL LLP

MEMBERS' REPORT

Charitable donations

During the period, the LLP made charitable contributions totaling £30,269 (2019 - £30,000).

Statement of disclosure of information to auditors

In the case of each of the persons who are members at the time when the report is approved:

- so far as the members are aware, there is no relevant audit information of which the LLP's auditors are unaware; and
- each member has taken all the steps that ought to be taken as a member in order to make themselves aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

Independent auditors

The independent auditors of the LLP are Ernst & Young LLP who will be proposed for reappointment.

Financial statements prepared on a liquidation basis

On 23 December 2020, the LLP agreed to the sale and purchase of its business to its affiliate, PGIE on 1 January 2021. The members resolved on 22 December 2020 to place the LLP into liquidation in 2021 subject to regulatory permission. The members therefore do not intend the LLP's principal activities to remain the same for the foreseeable future, being 12 months following the date of this report.

As a result, the LLP has been prepared its financial statements on the liquidation basis. Please refer to note 1.2 for further details on this.

The novel coronavirus ("COVID-19") outbreak since early 2020 has brought additional uncertainties in the Company's operating environment. It has had impacts on the operation of businesses in some industries and the overall market economic environment. Management's analysis of the impact is discussed in more detail in note 1.2 of the audited financial statements.

This report was approved by the members on 26 April 2021 and signed on behalf of the Designated Members by:

Ellen W Shumway

Ellen W Shumway (Apr 26, 2021 15:56 CDT)

Ellen Shumway

26 April 2021

FINISTERRE CAPITAL LLP

STATEMENT OF MEMBERS' RESPONSIBILITIES

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

Legislation applicable to limited liability partnerships (Companies Act 2006 as modified by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) requires the 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 to the UK and Republic of Ireland and applicable law. Under this legislation 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 LLP and of the profit or loss of the LLP for that year.

In preparing those 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;
- state whether applicable 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 LLP will continue in business. For the reasons stated in the Members' Report and the accounting policies in Note 1.2, the financial statements have been prepared on a liquidation basis.

The Members are responsible for keeping adequate 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 enable them to ensure that the financial statements comply with the Companies Act 2006 as modified by the Limited Liability Partnerships (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.

FINISTERRE CAPITAL LLP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINISTERRE CAPITAL LLP

Opinion

We have audited the financial statements of Finisterre Capital LLP for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Members' Interest, the Statement of Cash Flows and the related notes 1 to 19, 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland.

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2020 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

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 below. 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.

Emphasis of matter – financial statements prepared on a liquidation basis

We draw attention to note 1.2 to the financial statements which explains that the Members intend to dissolve the Partnership in the next 12 months and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a liquidation basis as described in note 1.2. Our opinion is not modified in respect of this matter.

Other information

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

Our opinion on the financial statements does not cover the other information and, 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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

FINISTERRE CAPITAL LLP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINISTERRE CAPITAL LLP

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 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;
- ▶ the members were not entitled to prepare financial statements in accordance with the small limited liability partnerships' regime.

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement set out on page four, 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 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 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.

Explanation as to what extent the audit was considered 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 irregularities, including fraud. 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 or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the LLP and determined that the most significant are those that relate to the reporting framework (FRS 102, the Companies Act 2006 as applied to limited liability partnerships and the Statement of Recommended Practice "Accounting by Limited Liability Partnerships") and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the LLP is required to comply with relevant Financial Conduct Authority's ('FCA') rules and regulations relating to its operations.
- We understood how the LLP is complying with those frameworks by making enquiries of management and by seeking representation from those charged with governance. We corroborated our understanding by reviewing members' meeting minutes and relevant policy and procedures manuals. Where applicable, we also reviewed correspondence with relevant authorities.

FINISTERRE CAPITAL LLP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINISTERRE CAPITAL LLP

- We assessed the susceptibility of the LLP's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by designating revenue recognition as a fraud risk. We performed journal entry testing by specific risk criteria, with a focus on journals indicating large or unusual transactions based on our understanding of the business. We recalculated the revenue based on the transfer pricing arrangement applied by management and tested a sample of inputs in the calculation back to source documentation. We also used our internal transfer pricing specialists to review the appropriateness of the transfer pricing arrangement. In addition, we tested a sample of invoices issued to funds managed by the Company by recalculating the amounts in the invoices and the agreed fee rate, any performance conditions, and the managed fund's Net Asset Values ('NAV') to Investment Management Agreements and NAV statements or reports.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management and those charged with governance, review of legal and professional expenses, review of breaches and complaints register and review of members' meeting minutes.
- The LLP is a regulated investment manager under the supervision of the FCA. As such, the Senior statutory auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

A further description of our responsibilities for the audit of the financial statements is located 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 members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships. Our audit work has been undertaken so that we might state to the 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.

Ernst & Young LLP

Mitul Shah (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 27 April 2021

FINISTERRE CAPITAL LLP

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	Year ended 31 Dec 2020 £	Year ended 31 Dec 2019 £
TURNOVER	2	8,123,311	20,491,408
Administrative expenses	4,5	(11,957,823)	(14,389,838)
Other operating (loss)/income		(2,855)	132,010
Sub-management fee	17	(289,798)	-
OPERATING (LOSS)/PROFIT	3	(4,127,165)	6,233,580
Other interest receivable and similar income		20,697	45,050
Interest payable and similar charges		(4,636)	(6,091)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR BEFORE MEMBERS' REMUNERATION AND PROFIT SHARES AVAILABLE FOR DISCRETIONARY DIVISION AMONG MEMBERS		<u>(4,111,104)</u>	<u>6,272,539</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u>(4,111,104)</u>	<u>6,272,539</u>

All amounts relate to continuing operations.

The notes on pages 12 to 19 form part of these financial statements.

FINISTERRE CAPITAL LLP

STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	31 Dec 2020 £	31 Dec 2019 £
ASSETS			
Tangible fixed assets	7	-	561,267
Other receivables	8	-	99,709
Total fixed assets		-	660,976
CURRENT ASSETS			
Tangible fixed assets	7	442,457	-
Debtors	8	593,793	9,163,542
Cash at bank and in hand		4,477,771	5,109,484
Total current assets		5,514,021	14,273,026
Creditors: Amounts falling due within one year	9	(2,644,038)	(5,953,189)
NET CURRENT ASSETS		2,869,983	8,319,837
TOTAL ASSETS LESS CURRENT LIABILITIES		2,869,983	8,980,813
Creditors: Amounts falling due after one year	9	-	(126,100)
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u>2,869,983</u>	<u>8,854,713</u>
REPRESENTED BY:			
MEMBERS' OTHER INTERESTS			
Member's capital classified as equity		1,070,645	1,070,645
Members' other interests - other reserves classified as equity	10	1,799,338	7,784,068
		<u>2,869,983</u>	<u>8,854,713</u>

The financial statements were approved and authorized for issue by the members and were signed on their behalf on 26 April 2021.

Ellen W Shumway

Ellen W Shumway (Apr 26, 2021 15:56 CDT)

Ellen Shumway

On behalf of the Designated Members

The notes on pages 12 to 19 form part of these financial statements.

FINISTERRE CAPITAL LLP

RECONCILIATION OF MEMBERS' INTERESTS

31 December 2020

	Members' capital (classified as equity) £	Other reserves (classified as equity) £	Loans and debts due to members less any amounts due from members in debtors £	Total members' interests £
Balance at 1 January 2019	1,070,645	2,785,424	-	3,856,069
Profit for the year available for discretionary distribution amongst members	-	6,272,539	-	6,272,539
Members' interests after profit for the year	1,070,645	9,057,963	-	10,128,608
Capital amounts introduced by members	-	-	-	-
Increase in share based payment reserve	-	339,997	-	339,997
Allocated profit for the year	-	(1,613,892)	1,613,892	-
Amounts withdrawn by members	-	-	(1,613,892)	(1,613,892)
Balance at 1 January 2020	1,070,645	7,784,068	-	8,854,713
Profit for the year available for discretionary distribution amongst members	-	(4,111,104)	-	(4,111,104)
Members' interests after profit for the year	1,070,645	3,672,964	-	4,743,609
Capital amounts introduced by members	-	-	-	-
Increase in share based payment reserve	-	756,658	-	756,658
Allocated profit for the year	-	(2,630,284)	2,630,284	-
Amounts withdrawn by members	-	-	(2,630,284)	(2,630,284)
Balance at 31 December 2020	1,070,645	1,799,338	-	2,869,983

The notes on pages 12 to 19 form part of these financial statements.

FINISTERRE CAPITAL LLP

STATEMENT OF CASH FLOWS

31 December 2020

	Notes	Year ended 31 Dec 2020 £	Year ended 31 Dec 2019 £
Net cash flow from operating activities	11	2,073,479	3,206,581
Net cash flow from investing activities	12	(74,907)	37,823
Net cash flow from financing activities	12	-	-
Net cash flow from transactions with members	12	(2,630,284)	(1,613,892)
(DECREASE)/INCREASE IN CASH IN THE YEAR		<u>(631,713)</u>	<u>1,630,512</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Year ended 31 Dec 2020 £	Year ended 31 Dec 2019 £
(Decrease)/ Increase in cash in the year		(631,713)	1,630,512
Cash outflow from decrease in debt	13	<u>2,630,284</u>	<u>1,613,892</u>
CHANGE IN NET FUNDS RESULTING FROM CASH FLOWS		1,998,571	3,244,404
Other non-cash changes – allocation of profit	13	<u>(2,630,284)</u>	<u>(1,613,892)</u>
MOVEMENT IN NET FUNDS IN THE YEAR		(631,713)	1,630,512
Net funds at beginning of the year		<u>5,109,484</u>	<u>3,478,972</u>
NET FUNDS AT END OF THE YEAR		<u>4,477,771</u>	<u>5,109,484</u>

The notes on pages 12 to 19 form part of these financial statements.

FINISTERRE CAPITAL LLP

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

1. ACCOUNTING POLICIES

A summary of the principal accounting policies applied consistently throughout the year is set out below:

1.1 STATEMENT OF COMPLIANCE & BASIS OF PREPARATION

Finisterre Capital LLP is a limited liability partnership incorporated in England and Wales. The financial statements have been prepared on a liquidation basis in accordance with Financial Reporting Standard 102, the Companies Act 2006 and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" issued December 2018 (the "SORP") as it applies to these financial statements for the year end 31 December 2020. The LLP's assets are stated at their estimated net realizable values and liabilities at their anticipated settlement amount. For the reasons mentioned in Note 1.2, the financial statements are prepared on a liquidation basis.

1.2 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The LLP's financial statements are influenced by accounting policies, assumptions, estimates and management's judgement, which necessarily have to be made in the course of preparation of the financial statements.

The LLP determines estimates and assumptions that affect the reported amounts of assets and liabilities for the next financial period. All estimates and assumptions required in conformity with FRS 102 are best estimates undertaken in accordance with the applicable standard.

Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. The application of accounting policies and management's judgements for certain items are especially critical for the LLP's results and financial situation due to their materiality.

The following are key judgments made by the members:

Financial statements prepared on a liquidation basis

On January 30, 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") to be a public health emergency of international concern. This coronavirus outbreak has severely restricted the level of economic activity around the world. The impact of COVID-19 has led to significant volatility and declines in the global public fixed income markets and it is uncertain how long this volatility will continue.

The extent to which the COVID-19 pandemic impacted the LLP's results, operations or liquidity is limited due to the current members intention of placing the LLP into liquidation in 2021. The members resolved by written resolution circulated on 21 December 2020 and effective from 22 December 2020 to approve its intention to liquidate the LLP during 2021. On 23 December 2020, the LLP agreed to the sale and purchase of its business to its affiliate, PGIE on 1 January 2021. The LLP has retained sufficient capital and reserves for regulatory purposes and to enable it to perform an orderly liquidation and does not have any financial results, be this income or expenses that are tied to the market and could therefore be impacted by COVID-19.

The members therefore do not intend the LLP's principal activities to remain the same for the foreseeable future, being 12 months following the date of this report. As a result, the LLP financial statements have been prepared on the liquidation basis.

FINISTERRE CAPITAL LLP

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

1.3 TURNOVER

Turnover represents income from investment management services. Turnover is accounted for on an accruals basis.

1.4 OPERATING LEASES

Rentals under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognized on a straight line basis over the period of the lease.

1.5 EXPENSES

Expenses are recognized on an accruals basis.

1.6 PENSIONS

The LLP operated a defined contribution pension scheme up to 31 December 2020 and the pension charge represents the amounts payable by the LLP to the pension fund in respect of the period.

1.7 TAX PROVISIONS

The taxation payable on profits is the personal liability of the members during the period.

1.8 FOREIGN CURRENCIES

These financial statements are presented in GBP, which is the LLP's functional and presentation currency. Foreign currency transactions recorded by the LLP are initially recorded using its functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

1.9 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is calculated on the straight-line basis to write off the cost of each tangible fixed asset to its residual value over its estimated useful life on the following bases:

Leasehold improvements	To the end of the LLP's lease (December 2024)
Office equipment	3-5 years

1.10 CASH AT BANK AND IN HAND

Cash at bank and in hand is carried in the statement of financial position at face value. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held on call with banks.

1.11 DEBTORS

Short term debtors are measured at the transaction price, less any impairment. Loans receivable are recognized initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment, if any. Long term debtors are measured at fair value.

FINISTERRE CAPITAL LLP

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

1.12 CREDITORS

Short term creditors are measured at the transaction cost. Other financial liabilities are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method. Long term creditors are measured at fair value.

1.13 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognized initially at fair value and subsequently measured at fair value with any gains and losses being reported in the statement of comprehensive income.

1.14 MEMBERS' CAPITAL

Members' capital contributions have been classified to be shown as equity under the provisions of the SORP and in line with the members' agreement.

1.15 MEMBERS DRAWINGS AND PROFIT ALLOCATIONS

Policies for members' drawings, subscriptions and repayment of members' capital are governed by the amended and restated Limited Liability Partnership Agreement dated 29 December 2016, as subsequently amended. Members draw a proportion of their profit shares monthly during the year in which it is made, with the balance of profits being distributed after the year, subject to the cash and regulatory requirements of the business.

1.16 FUNCTIONAL AND PRESENTATIONAL CURRENCY

The members consider the currency of the primary economic environment in which the LLP operates to be GBP as this is the currency which in their opinion most faithfully represents the economic effects of underlying transactions, events and conditions. Furthermore, GBP is the currency in which the LLP pays the majority of its expenses. The financial statements are presented in GBP, which is the LLP's functional and presentation currency.

2. TURNOVER

The turnover shown in the statement of comprehensive income represents the amount of services provided during the period. All turnover arose outside the United Kingdom.

3. OPERATING PROFIT

The LLP's profit before tax is arrived at after charging:

	Year ended 31 Dec 2020 £	Year ended 31 Dec 2019 £
Depreciation of tangible fixed assets	143,923	132,694
Foreign exchange (gains)/losses	501,535	318,959
Operating lease rentals: property	1,166,782	1,050,910
Operating lease rentals: plant and machinery	24,426	22,042

4. AUDITORS' REMUNERATION

	Year ended 31 Dec 2020 £	Year ended 31 Dec 2019 £
Fees payable to the LLP's auditor for the audit of the LLP's financial statements	19,500	19,000

FINISTERRE CAPITAL LLP

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

5. STAFF COSTS

Staff costs were as follows:

	Year ended 31 Dec 2020 £	Year ended 31 Dec 2019 £
Wages and salaries	5,508,578	6,191,749
Social security costs	666,246	870,786
Other pension costs	112,808	146,570
Redundancy costs	302,500	-
	<u>6,590,132</u>	<u>7,209,105</u>

The average number of persons employed during the year was as follows:

	Year ended 31 Dec 2020 No.	Year ended 31 Dec 2019 No.
Finance and administration	23	34

6. INFORMATION IN RELATION TO MEMBERS

	Year ended 31 Dec 2020 No.	Year ended 31 Dec 2019 No.
The average number of members during the year was:	<u>6</u>	<u>9</u>
	£	£
Profit allocated with respect the highest paid member during the year:	<u>-</u>	<u>564,391</u>

7. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Furniture, fittings and equipment £	Total £
COST			
At 1 January 2020	851,010	560,086	1,411,096
Additions	-	90,968	90,968
Write downs	-	(413,466)	(413,466)
At 31 December 2020	<u>851,010</u>	<u>237,588</u>	<u>1,088,598</u>
DEPRECIATION			
At 1 January 2020	421,379	428,449	849,829
Charge for the period	87,381	56,541	143,923
Write downs	-	(347,611)	(347,611)
At 31 December 2020	<u>508,760</u>	<u>137,380</u>	<u>646,141</u>
NET BOOK VALUE			
At 31 December 2019	<u>429,631</u>	<u>131,636</u>	<u>561,267</u>
At 31 December 2020	<u>342,250</u>	<u>100,208</u>	<u>442,457</u>

FINISTERRE CAPITAL LLP

NOTES TO THE FINANCIAL STATEMENTS

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8. DEBTORS

Amounts falling due within one year:

	31 Dec 2020 £	31 Dec 2019 £
Trade debtors	-	6,222,173
Other debtors	68,190	2,273,458
Prepayments and accrued income	525,603	667,911
	<u>593,793</u>	<u>9,163,542</u>

Amounts falling due after one year:

	31 Dec 2020 £	31 Dec 2019 £
Other debtors	-	99,709
	<u>-</u>	<u>99,709</u>

9. CREDITORS

Amounts falling due within one year:

	31 Dec 2020 £	31 Dec 2019 £
Trade creditors	240,768	450,299
Accruals and deferred income	2,403,270	5,109,321
Other creditors	-	393,569
	<u>2,644,038</u>	<u>5,953,189</u>

Amounts falling due after one year:

	31 Dec 2020 £	31 Dec 2019 £
Accruals and deferred income	-	126,100
	<u>-</u>	<u>126,100</u>

The LLP has been prepared on a liquidation basis with all asset and liabilities classified as current. On 23 December 2020, the LLP agreed to the sale and purchase of its business to its affiliate, PGIE on 1 January 2021. £55,634 of accruals and deferred income is non-current and has been transferred to PGIE on 1 January 2021.

Included in other creditors is an interest-free loan from Finisterre Malta Limited ("FML"), being a subordinated loan. Under the terms of the loan, repayment is due upon expiry of a 5 year written notice. Early repayment is only permitted where consent is obtained from the Financial Conduct Authority (the "FCA"). On 16 June 2020, the LLP notified the FCA of its intention to repay the subordination loan early. The loan was repaid on 25 September 2020 following expiry of notification.

FINISTERRE CAPITAL LLP

NOTES TO THE FINANCIAL STATEMENTS

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10. SHARE BASED PAYMENT

Included in reserves are share based payments. This relates to equity issued in Finisterre Holdings Limited ("FHL"), the parent of FCUK Ltd, which is the parent of the LLP. The program is a cash settled plan, settled by FHL with vesting over a 5 year period. The liability is measured through an independent third party using discounted cash flow valuation. During the year, share based payment expenses of £756,658 were charged, and £592,897 was including in Other Reserves.

11. NET CASH FLOW FROM OPERATING ACTIVITIES

	Year ended 31 Dec 2020 £	Year ended 31 Dec 2019 £
Operating (loss)/profit	(4,127,165)	6,233,580
Adjustments for:		
Depreciation	143,923	132,694
Loss on write down of fixed assets	65,856	-
Share based payment	756,658	339,997
Decrease/(Increase) in debtors	8,669,459	(2,942,364)
Decrease in creditors	(3,435,252)	(557,326)
Net positive cash flows from operating activities	<u>2,073,479</u>	<u>3,206,581</u>

12. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN STATEMENT OF CASH FLOWS

	Year ended 31 Dec 2020 £	Year ended 31 Dec 2019 £
NET CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	20,697	45,050
Interest paid	(4,636)	(6,091)
Purchase of tangible fixed assets	<u>(90,968)</u>	<u>(1,136)</u>
Net cash flows from investing activities	<u>(74,907)</u>	<u>37,823</u>
NET CASH FLOW FROM FINANCING ACTIVITIES		
Loan financing	<u>-</u>	<u>-</u>
TRANSACTIONS WITH MEMBERS		
Drawings by members	<u>(2,630,284)</u>	<u>(1,613,892)</u>
NET CASH FLOW FROM TRANSACTIONS WITH MEMBERS	<u>(2,630,284)</u>	<u>(1,613,892)</u>

FINISTERRE CAPITAL LLP

NOTES TO THE FINANCIAL STATEMENTS

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13. ANALYSIS OF CHANGES IN NET FUNDS

	Opening balance	Cash flow	Allocation of profit	Closing balance
	£	£	£	£
Cash at bank and in hand	5,109,484	(631,713)	-	4,477,771
Loans and other debts due to members	-	(2,630,284)	2,630,284	-
NET FUNDS	5,109,484	(3,261,997)	2,630,284	4,477,771

14. PENSION COMMITMENTS

The LLP operated a defined contribution pension scheme up to 31 December 2020 where employee and employer contribution ceased. The assets of the scheme are held separately from those of the LLP in an independently administered fund. The pension cost charge represents contributions payable by the LLP to the fund and amounted to £112,808 (2019: £146,570) and are included in staff costs. £Nil (2019: £1,478) were payable to the fund at 31 December 2020.

15. OPERATING LEASE COMMITMENTS

As at 31 December 2020 the LLP has committed to make the following total future minimum lease payments under non-cancellable operating leases. Please note that these lease commitments have transferred to PGIE as part of the business transfer. Please refer to note 19 for more information.

Land and buildings	31 Dec 2020 £	31 Dec 2019 £
Amounts due within 1 year	1,254,352	1,205,390
Amounts due between 2 and 5 years	3,763,056	3,616,170
Amounts due after 5 years	-	-

16. DERIVATIVE FINANCIAL INSTRUMENTS

Financial liabilities relate to foreign currency contracts to sell USD and buy GBP. The LLP did not enter into any forward contracts during the year and therefore there were no open financial instruments as at year end (2019: Nil). The foreign currency contracts are not traded in active markets. These have been fair valued using the difference between observable forward exchange rates corresponding to the maturity of the contract and the contracted rate, at the balance sheet date.

No realized gain or loss (2019: realised losses Nil) were recorded in the Statement of Comprehensive Income in relation to derivative transactions that settled during the year.

Included in cash at bank and in hand is collateral of nil (2019: Nil). None of this is pledged (2019: Nil).

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17. RELATED PARTY TRANSACTIONS

The members consider FML to be a related party due to common ownership. During the period the LLP charged FML £3,304,161 (2019: £16,147,398) in respect of investment management services provided. At the period end the balance due from FML was nil (2019: £6,045,878). The LLP compensated FML in respect of manager services provided during the period of £289,798 (2019: Nil). In addition, FML owed the LLP nil (2019: £2,886,921) in relation to intragroup working capital.

Details of loans made by FML to the LLP are included in note 9.

FCUK Ltd is the parent of the LLP and the members therefore is considered to be a related party. At the period end, the FCUK Ltd owed the LLP £6,455 (2019: £4,065) in relation to intragroup working capital.

FHL is the parent LLP of FCUK Ltd, which is the parent LLP of the LLP. At the period end, the LLP owed FHL nil (2019: nil) in relation to intragroup working capital.

18. CONTROLLING PARTY AND ULTIMATE CONTROLLING ENTITY

The LLP's immediate controlling party is FCUK Ltd, by virtue of it controlling the majority of the voting rights of the LLP. The ultimate controlling party is Principal Financial Group Inc, incorporated in the United States of America.

19. POST BALANCE SHEET EVENTS

On 1 January 2021, as part of the business transfer, the LLP transferred £967,695 assets and £2,189,140 liabilities to PGIE. In addition to this, a payable of £1,221,445 was established between LLP and PGIE as a result of the business transfer. The LLP has retained sufficient capital and reserves to enable it to perform an orderly liquidation and does not have any financial results, be this income or expenses that are tied to the market and could therefore be impacted by COVID-19.

There were no significant events after the reporting date which requires adjustments and disclosures to these financial statements.