

Registered number: OC326579

Cerno Capital Partners LLP

Report and Financial Statements

Year ended 31 March 2017

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Cerno Capital Partners LLP

LLP INFORMATION

31 March 2017

REGISTERED NUMBER

OC326579

MEMBERS

Nicholas Hornby – [Designated member]
James Spence – [Designated member]
John Booth
Richard Chenevix-Trench
Charles Davies
Mark Haworth
Steve McGuinness
Russell Napier
Richard Oldfield
Rupert Rittson-Thomas
George Robinson
Fergus Shaw
Hugh Sloane
Martin Smith

REGISTERED OFFICE

34 Sackville Street
London
W1S 3ED

BANKERS

Coutts & Co
440 Strand
London
WC2R OQS

UBS AG
1 Finsbury Avenue
London
EC2M 2AN

INDEPENDENT AUDITORS

PKF Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London
E14 4HD

Cerno Capital Partners LLP
MEMBERS' REPORT
For the year ended 31 March 2017

The members present their report and the audited financial statements for the year ended 31 March 2017.

Principal activity

Cerno Capital provides independent investment management services to individuals, families, charities and institutions. The global, multi-asset class portfolios we construct on behalf of our clients are based on proprietary, in-house research and are invested at arm's length. We believe that our investment philosophy and processes are of enduring appeal to institutions, charities and private wealth.

Business review and future developments

Assets under management stood at £417 million at the year end.

During the year, the LLP hosted several profile-raising events and hired several new members of staff. Client retention and satisfaction continues to be high.

The firm's daily-dealing, onshore UCITS fund, TM Cerno Select, continues to gain traction within the UK retail investment sector and favourable reviews from consultants and investment intermediaries. At year end, the fund had returned +27.9% since inception and assets stood at £68.4 million. Plans are underway to create a fund version of the Global Leaders Strategy which has been operating well within portfolios in the past three years.

Risk management

The LLP is authorised and regulated by the Financial Conduct Authority (FCA). Under the rules of the FCA the LLP is obliged to make disclosures about the risks that it faces. Under the FCA capital adequacy rules, the LLP is classified as a BIPRU 50k firm. This means that the base capital requirement is €50,000. The LLP is also subject to an expenditure requirement which is one quarter of the relevant expenditure for the previous financial year. The LLP has additionally undertaken an internal capital adequacy assessment process ("ICAAP"). The ICAAP has identified risks for which additional capital is required. The LLP currently has capital resources considerably in excess of the Regulator's minimum capital requirements.

The LLP is an asset manager and advisor and is not permitted under FCA rules to risk its own capital in the financial markets. Accordingly the risks that the LLP faces are more limited in scope than for other types of regulated firms.

Cerno Capital Partners LLP
MEMBERS' REPORT (continued)
For the year ended 31 March 2017

Market risk

Market risk is the risk that the value of, or income arising from, the LLP's assets and liabilities varies as a result of changes in the market price of financial assets, changes in exchange rates or changes in interest rates. Such risk could have a negative effect on the assets under management ("AUM") which directly affects the fee income the LLP receives. Poor market returns could result in a loss of clients.

The LLP does not take proprietary trading risk. The LLP's risk management activities are on behalf of clients and the LLP's own money is not at risk. The only market risk that the LLP faces is currency risk, and the members do not consider this to be significant as very little income and expenditure is denominated in currencies other than sterling.

The Members are of the opinion that the UK's possible exit from the EU does not pose a significant risk to the LLP. The firm's investment strategies are global and, as such, do not entail dedicated exposures to either the UK or Europe.

Credit risk

Credit risk refers to the potential risk that customers fail to meet their obligations as they fall due.

The principal credit risk that the LLP faces is in respect of clients for fees earned but not received. Fees are usually received promptly after the calculation of the relevant Net Asset Value ("NAV"). The LLP also has credit exposure to its bankers but considers this risk to be minimal.

Liquidity risk

The LLP's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in fees received/receivable. The LLP maintains readily realisable cash balances at its bankers to cover liquidity risk.

Operational risk

Operational risk is the risk of loss arising from failed or inadequate internal processes or systems, human error or other factors. The risk is managed by the members who have responsibility for putting in place appropriate controls for the business. The LLP makes use of outside consultants where necessary to monitor the effectiveness of the controls.

Concentration risk

Concentration risk is the risk that the LLP is overly dependent upon any one customer or any group of connected customers either in terms of income dependency or in terms of credit risk.

The members actively monitor and seek to diversify concentration risk by developing the business and seeking to gain more clients.

Residual risk

Residual risk is any risk not covered by the specific risk categories outlined above.

The members do not consider that there are any residual risks that require the LLP to maintain any additional capital.

Cerno Capital Partners LLP
MEMBERS' REPORT (continued)
For the year ended 31 March 2017

Designated members

The members who were the designated members during the year are shown below:

Nicholas Hornby
James Spence

Executive Committee

Certain decisions of the LLP are subject to the approval or prior consent of the Executive Committee. The current members of the Executive Committee are:

Nicholas Hornby
James Spence

Profit and appropriations

The profit for the period is shown in the income statement on page 9.

Members' drawings and the subscription and repayment of members' capital

All members are equity members and share in the profits and subscribe the entire capital of the LLP. Each member's capital subscription and share of the profit can be repaid in full on ceasing to be a member, subject to the prior consent of the Executive Committee.

Members may receive monthly drawings of such amount set by the Executive Committee at the start of the accounting year. All payments are made subject to the cash requirements of the business.

Capital contributions cannot be repaid without the prior consent of the Executive Committee. Accordingly capital contributions are classified as equity under section 22 of FRS 102.

Auditors

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

Disclosure of information to the auditor

Each of the persons who is a Member at the date of approval of this report confirms that:

- so far as the Member is aware, there is no relevant audit information of which the auditor is unaware; and
- the Member has taken all the steps that he ought to have taken as a Member in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Cerno Capital Partners LLP
MEMBERS' REPORT (continued)
For the year ended 31 March 2017

Remuneration policy

Under the FCA's Remuneration Code firms, are required to set remuneration policies which are consistent with and promote effective risk management and not expose them to excessive risk. The LLP is classified as a Tier Four firm, which allows it to dis-apply many of the technical requirements and proportionately apply the Code's rules and principles. The LLP is satisfied that the policies that it has in place are appropriate to its size, internal organisation and the nature, the scope and the complexity of its activities.

The decision making process

The LLP's Remuneration Policy is set by the members of the LLP. The LLP has assessed its members and staff and concludes that only two qualify as Code staff. Each year the LLP assesses the amount of capital it considers necessary to run its business and if necessary uses some or all of the profits available to increase its capital resources. If sufficient profits are available, a percentage of profits is paid into a bonus pool which covers members and staff which is allocated based on the individuals contribution to the LLP.

The link between pay and performance

Remuneration is based on competitive market-based wages that fairly compensate employees in view of the skills provided, work performed and responsibility undertaken. Overall remuneration includes an annual incentive compensation reflecting individual performance and responsibility, as well as the LLP's overall performance.

Quantitative remuneration

The aggregate remuneration of code staff was £769,409 (2016 - £806,765) in the year. This includes both fixed and variable elements of remuneration but excludes profit shares awarded to such individuals in respect of their share as owners of the business.

Risk management objectives and policies

The LLP considers risk management to be a critical component of its operations and has a conservative risk appetite. The LLP has been operating for a number years and has in place a multi-layered system of limits and validations developed during this time. It separately reviews the amount of capital necessary to meet business objectives, and utilises stress testing and scenario analysis to identify capital requirements specifically looking at minimum capital requirements based on multiple stress levels. The LLP continually reviews and monitors these systems and validations in order to ensure that a complete and fault-tolerant approach to risk is not only established, but revised and updated in light of appropriate regulatory requirements.

By order of the members



James Spence
Designated Member

26 June 2017

Cerno Capital Partners LLP
STATEMENT OF MEMBERS' RESPONSIBILITIES

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

Company law (as applied 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 Members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) 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 period. In preparing these financial statements, the Members are required to:

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

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 applied 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.

Cerno Capital Partners LLP
INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CERNO CAPITAL PARTNERS LLP

We have audited the Financial Statements of Cerno Capital Partners LLP for the year ended 31 March 2017 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the 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) including FRS 102 *"The Financial Reporting Standard applicable in the UK and Republic of Ireland"*.

This report is made solely to the LLP's members, as a body, in accordance with Chapter 3 of Part 16 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. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's 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 Statement of 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. 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 LLP's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Members, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 LLP's affairs as at 31 March 2017 and of its result 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 as applied to Limited Liability Partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Cerno Capital Partners LLP
INDEPENDENT AUDITORS' REPORT (continued)

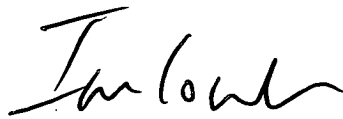
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CERNO CAPITAL PARTNERS LLP

Matters on which we are required to Report by Exception

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

We have nothing to report in respect of the above matters.



Ian Cowan (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor

45 July

June 2017

1 Westferry Circus
Canary Wharf
London E14 4HD

Cerno Capital Partners LLP
INCOME STATEMENT
for the year ended 31 March 2017

| | Note | 2017 £ | 2016 £ |
|---|------|-------------|-------------|
| Turnover | 3 | 3,542,213 | 3,233,291 |
| Administrative expenses | | (1,815,193) | (1,508,333) |
| Other operating income | | 6,600 | 17,014 |
| | | <hr/> | <hr/> |
| Operating profit | | 1,733,620 | 1,741,972 |
| Interest receivable and similar income | | 1,104 | 1,261 |
| | | <hr/> | <hr/> |
| Profit for the period before members' remuneration and profit shares | | 1,734,724 | 1,743,233 |
| Members' remuneration charged as an expense | 9 | (1,734,724) | (1,743,233) |
| | | <hr/> | <hr/> |
| Profit for the period available for discretionary distribution amongst the members | 9 | <u>£-</u> | <u>£ -</u> |

All of the LLP's activities are continuing.

Other comprehensive income

The LLP has no comprehensive income other than the amounts recognised in the Income Statement above. Accordingly no Statement of Comprehensive Income has been presented.

The notes on pages 14 to 19 form part of these financial statements.

Cerno Capital Partners LLP
Registered number: OC326579
STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

| | Note | 2017 £ | 2016 £ |
|---|------|----------------|----------------|
| Fixed assets | | | |
| Tangible assets | 6 | 11,292 | 18,087 |
| Current assets | | | |
| Debtors | 7 | 488,695 | 366,098 |
| Amounts due from members | | 112,895 | 50,610 |
| Cash at bank and in hand | | 648,742 | 826,505 |
| | | <hr/> | <hr/> |
| | | 1,250,332 | 1,243,213 |
| Creditors: amounts falling due within one year | 8 | (490,346) | (494,878) |
| Post retirement payments due to former member | 9 | - | (12,020) |
| | | <hr/> | <hr/> |
| Net current assets | | 759,986 | 736,315 |
| | | <hr/> | <hr/> |
| Net assets attributable to members | | <u>771,278</u> | <u>754,402</u> |
| Represented by: | | | |
| Loans and other debts due to members | | | |
| Amounts owed to members in respect of profits | | 211,651 | 205,905 |
| | | <hr/> | <hr/> |
| | | 211,651 | 205,905 |
| | | <hr/> | <hr/> |
| Members' other interests | | | |
| Members' capital classified as equity | | 559,627 | 548,497 |
| | | <hr/> | <hr/> |
| | | 559,627 | 548,497 |
| | | <hr/> | <hr/> |
| | | <u>771,278</u> | <u>754,402</u> |

The notes on pages 14 to 19 form part of these financial statements.

Cerno Capital Partners LLP
Registered number: OC326579
STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2017

| | Note | 2017 £ | 2016 £ |
|---------------------------------|------|----------------|----------------|
| Total Members' Interests | | | |
| Amounts owed to members | | 211,651 | 205,905 |
| Amounts due from members | | (112,895) | (50,610) |
| Members' equity interests | | 559,627 | 548,497 |
| | | <hr/> | <hr/> |
| | 9 | <u>658,383</u> | <u>703,792</u> |

The Accounting Policies and Notes on pages 14 to 19 form part of these Financial Statements.

The Financial Statements were approved and authorised for issue by the members on 26 June 2017, and were signed on its behalf by:


James Spence
Designated Member

The notes on pages 14 to 19 form part of these financial statements.

Cerno Capital Partners LLP
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2017

| Members' other interests | Members' capital classified as equity | Total |
|---------------------------------|--|--------------|
| | £ | £ |
| As at 1 April 2015 | 536,250 | 536,250 |
| Capital introduced | 12,247 | 12,247 |
| As at 1 April 2016 | 548,497 | 536,250 |
| Capital introduced | 11,130 | 11,130 |
| As at 31 March 2017 | 559,627 | 559,627 |

The notes on pages 14 to 19 form part of these financial statements.

Cerno Capital Partners LLP
STATEMENT OF CASH FLOWS
for the year ended 31 March 2017

| | Note | 2017 £ | 2016 £ |
|--|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Profit for the period available for discretionary distribution amongst the members | | - | - |
| <i>Adjustments for:</i> | | | |
| Members' remuneration charged as an expense | | 1,734,724 | 1,743,233 |
| Post retirement expense re former members | | - | (12,020) |
| Depreciation of tangible fixed assets | 6 | 11,167 | 41,952 |
| (Increase) in debtors | | (122,598) | (89,523) |
| (Increase)/decrease in creditors | | (16,551) | 96,158 |
| Interest received | | (1,104) | (1,261) |
| | | <hr/> | <hr/> |
| Net cash generated from operating activities before transactions with members | | 1,605,638 | 1,778,539 |
| Members' drawings | 9 | (1,791,263) | (2,118,070) |
| | | <hr/> | <hr/> |
| Net cash used by operating activities | | <u>(185,626)</u> | <u>(339,531)</u> |
| Cash flows from investing activities | | | |
| Interest received | | 1,104 | 1,261 |
| Purchase of tangible fixed assets | | (4,372) | (20,255) |
| | | <hr/> | <hr/> |
| Net cash flow used by from investing activities | | <u>(3,268)</u> | <u>(18,994)</u> |
| Cash flows from financing activities | | | |
| Capital introduced by members | | 11,130 | 12,247 |
| | | <hr/> | <hr/> |
| Net cash flow from financing activities | | <u>11,130</u> | <u>12,247</u> |
| Net (decrease)/increase in cash and cash equivalents | | (177,763) | (346,278) |
| Cash and cash equivalents at 1 April 2016 (2015) | | 826,505 | 1,172,783 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at 31 March 2017 (2016) | | <u>648,742</u> | <u>826,505</u> |

The notes on pages 14 to 19 form part of these financial statements.

Cerno Capital Partners LLP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

1 General

Cerno Capital LLP is a limited liability partnership incorporated in the United Kingdom. The address of its registered office is 34 Sackville Street, London, W1S 3ED.

The principal activity during the year of the LLP continued to be the provision of investment management and investment advisory services.

2 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – *'The Financial Reporting Standard applicable in the UK and Republic of Ireland'* ('FRS 102'), Companies Act 2006 as applied by LLPs and the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, issued in January 2017. The financial statements have been prepared on the historical cost basis.

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

Going concern

The partnership has considerable financial resources to hand, no external debt and capital well in excess of the FCA's requirements. The members have a reasonable expectation that the business has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover represents fees receivable for investment management and advisory services provided during the year and arises from continuing activities. Turnover is recognised as the services are provided.

Foreign currencies

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

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the income statement.

Members' interests

Members' interests are treated as a liability and shown as loans repayable within one year when the members can demand repayment thereof. These loans rank *pari passu* with other creditors in the event of winding up. Members' interests not treated as a liability are shown as equity. Drawings are treated as payments on account of profit allocations and are only repayable to the LLP in so far as there are insufficient profits to allocate against such drawings. Any drawings in excess of total profits allocated would be included within 'amounts due from members'.

Cerno Capital Partners LLP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

2 Accounting policies (continued)

Members' allocation of profits

The automatic allocation of profits and losses to members is treated as an expense in the income statement. Unallocated profits and losses are included within Other Reserves.

Operating Leases

Rentals payable in respect of operating leases are charged to the income statement on a straight line basis over the lease term.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation of tangible fixed assets is calculated to write off their cost over their estimated useful lives as follows:

| | |
|-------------------------|---|
| Computers: | 33% per annum on a straight-line basis; |
| Furniture and fittings: | 20% per annum on a straight line basis. |
| Leasehold improvements: | The lease term on a straight line basis |

Employee benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

The LLP operates an annual bonus plan for employees. An expense is recognised in the income statement when the LLP has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Significant judgements and estimates

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

No judgements have been made in applying the entity's accounting policies that would have a significant effect on the amounts recognised in these financial statements.

b) Critical accounting estimates and assumptions

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made are in respect of management fees for some private clients who are charged in advance based on the Net Asset Value ('NAV') of the funds under management at the beginning of the half year invoice period. An adjustment is made to accrue for any changes in turnover recognisable as a result of any movements in the NAV of the fund in the 3 months to the reporting date. The management fees which have not been earned at the reporting date are deferred based on the NAV of the funds at the beginning of the half year invoice period. The management fees deferred at 31 March 2017 amounted to £128,663 (2016 - £122,430).

Cerno Capital Partners LLP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

3 Turnover

All turnover is derived in the United Kingdom from the principal activity of the provision of investment management and investment advisory services.

4 Operating profit

| | 2017 £ | 2016 £ |
|--|----------------|----------------|
| Operating profit is stated after charging/(crediting): | | |
| Staff costs (note 5) | 804,490 | 717,203 |
| Auditors' remuneration – audit of the financial statements | 17,000 | 15,000 |
| Auditors' remuneration – for taxation and other services | 5,850 | 5,850 |
| Operating lease rentals – land and buildings | 191,175 | 115,665 |
| Depreciation of tangible fixed assets | 11,167 | 41,952 |
| | <u>804,490</u> | <u>717,203</u> |

5 Members and employees

Staff costs

| | | |
|-----------------------|----------------|----------------|
| Wages and salaries | 710,918 | 638,514 |
| Social security costs | 87,972 | 74,270 |
| Other staff costs | 5,600 | 4,419 |
| | <u>804,490</u> | <u>717,203</u> |

| | | |
|--|----------------|----------------|
| The profit allocation to the member with the largest entitlement | <u>691,303</u> | <u>699,213</u> |
|--|----------------|----------------|

| | | |
|---|---------------|---------------|
| Average monthly number of members and staff in the year | Number | Number |
| Members | 14 | 15 |
| Administrative staff | <u>8</u> | <u>8</u> |

The total Members' remuneration charged as an expenses was £1,734,724 (2016 - £1,743,233). Members' remuneration charged as an expense represents remuneration that is payable to a member which falls to be treated as a charge against profits and not an allocation of profits. The treatment of members' remuneration in the income statement is determined by reference to the nature of participation rights that give rise to the remuneration. Where members' remuneration gives rise to a liability in accordance with FRS 102, it is charged as an expense.

Cerno Capital Partners LLP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

6 Tangible Fixed assets

| | Leasehold improvements | Computers | Furniture & Fittings | Total |
|---------------------------------|-----------------------------------|-------------------|-------------------------------------|-------------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 April 2016 | 1,250 | 22,295 | 95,375 | 118,920 |
| Additions | - | 4,372 | - | 4,372 |
| Disposals | (1,250) | (7,850) | - | (9,100) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 March 2017 | - | 18,817 | 95,375 | 114,192 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Accumulated depreciation | | | | |
| At 1 April 2016 | 1,083 | 16,407 | 83,343 | 100,833 |
| Charge for the year | 167 | 5,484 | 5,516 | 11,167 |
| Disposals | (1,250) | (7,850) | - | (9,100) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 March 2017 | - | 14,041 | 88,859 | 102,900 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net book amount | | | | |
| At 31 March 2017 | - | 4,776 | 6,516 | 11,292 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 March 2016 | 167 | 5,888 | 12,032 | 18,087 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

| 7 Debtors | 2017 | 2016 |
|--------------------------------|-------------------|-------------------|
| | £ | £ |
| Trade debtors | 415 | 30,381 |
| Other debtors | 69,353 | 69,846 |
| Prepayments and accrued income | 418,927 | 265,871 |
| | <u> </u> | <u> </u> |
| | 488,695 | 366,098 |
| | <u> </u> | <u> </u> |

Other debtors include a rent deposit of £69,353 (2016: £69,353) which is not recoverable within one year.

| 8 Creditors: amounts falling due within one year | 2017 | 2016 |
|---|-------------------|-------------------|
| | £ | £ |
| Trade creditors | 32,617 | 11,869 |
| Other taxes and social security costs | 87,990 | 48,591 |
| Accruals and deferred income | 369,739 | 434,418 |
| | <u> </u> | <u> </u> |
| | 490,346 | 494,878 |
| | <u> </u> | <u> </u> |

Cerno Capital Partners LLP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

9 Members Other Interests

| | Members Equity Interests | | | Amounts Due to / (from) Members | Total 2017 | Total 2016 |
|--|---------------------------------|-----------------------|--------------|--|-------------------|-------------------|
| | Capital | Other Reserves | Total | | | |
| | £ | £ | £ | £ | £ | £ |
| Due to members | | | | 205,905 | | |
| Due from members | | | | (50,610) | | |
| | | | | <hr/> | | |
| At 1 April 2016 | 548,497 | - | 548,497 | 155,295 | 703,792 | 1,078,402 |
| Capital introduced | 11,130 | - | 11,130 | - | 11,130 | 12,247 |
| Members' remuneration charged as an expense | - | - | - | 1,734,724 | 1,734,724 | 1,743,233 |
| Post retirement payment due to former member | - | - | - | - | - | (12,020) |
| Drawings | - | - | - | (1,791,263) | (1,791,263) | (2,118,070) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Due from members | | | | (112,895) | | |
| Due to members | | | | 211,651 | | |
| | | | | <hr/> | | |
| At 31 March 2017 | 559,627 | - | 559,627 | 98,756 | 658,383 | 703,792 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

10 Related parties

The LLP provides investment management services to Endowment Investments Limited; Nicholas Hornby is a Director of Endowment Investments Limited. Total fees earned in the year were £320,271 (2016: £300,968) of which £127,706 (2016: £56,435) was due at 31 March 2017.

The LLP provides investment management services on normal terms to assets belonging to or associated with certain members of the LLP. Such fees earned in the year totalled £1,459,185 (2016: £1,388,431) of which £31,456 (2016: £29,556) was unpaid at 31 March 2017 but was subsequently received in full after the year end.

The LLP incurred fees of £14,352 (2016: £15,600) in respect of consultancy services provided by March Compliance of which a Member of the LLP is the managing partner. At 31 March 2017 £Nil (2016: £1,750) was unpaid at 31 March 2017.

The LLP incurred fees of £17,417 (2016: £16,384) in respect of consultancy services provided by Orlock Advisors Limited of which a Member of the LLP is a director. At 31 March 2017 no amount was unpaid.

The key management personnel are the members of the LLP whose total compensation is disclosed in note 5.

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11 Obligations under operating leases

The LLP's future minimum lease payments at the end of the reporting period are:

| | 2017 | 2016 |
|----------------------------|-------------|-------------|
| | £ | £ |
| Within one year | 191,175 | 164,575 |
| Between one and five years | 573,525 | 652,438 |
| | <hr/> | <hr/> |

12 Financial risk management

The LLP has exposure to two main areas of risk – liquidity risk and credit risk.

Liquidity risk

The objective of the LLP in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The LLP expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all of the financial obligations, the members are able to reduce their level of drawings. The LLP's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in fees received/receivable. The LLP maintains readily realisable cash balances at its bankers to cover liquidity risk.

Credit risk

Credit risk refers to the potential risk that customers fail to meet their obligations as they fall due. The principal credit risk that the LLP faces is in respect of customers for fees earned but not received. Fees are usually received promptly after the calculation of the relevant Net Asset Value ("NAV"). The LLP also has credit exposure to its bankers but considers this risk to be minimal.

13 Controlling party

In the opinion of the members there is no overall ultimate controlling party.

14 Subsequent events

There are no further events to report subsequent to the balance sheet date.