

REGISTERED NUMBER: OC327862

SOMERSET CAPITAL MANAGEMENT LLP

REPORT AND FINANCIAL STATEMENTS

◆ *Year ended 31 March 2012* ◆

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SOMERSET CAPITAL MANAGEMENT LLP

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SOMERSET CAPITAL MANAGEMENT LLP

REPORT OF THE MEMBERS

The members present their annual report and the audited financial statements for the year ended 31 March 2012

Principal Activity

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

Business Review and Future Developments

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

The profit for the year is shown in the profit and loss account on page 7

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

Members and Drawings

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

Designated Members

Dominic Johnson
Jacob Rees-Mogg
Edward Robertson

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

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

Disclosure of Information to Auditors

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

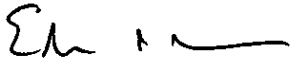
SOMERSET CAPITAL MANAGEMENT LLP

REPORT OF THE MEMBERS - continued

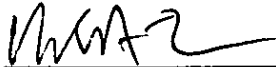
Auditors

Steele Robertson Goddard have expressed their willingness to remain in office as auditors of the LLP


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



Edward Robertson
Designated Member



Dominic Johnson
Designated Member



Jacob Rees-Mogg
Designated Member

27 June 2012

STATEMENT OF MEMBERS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

Company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations") requires the members to prepare financial statements for each financial year. Under that law the members have prepared the partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law as applied to limited liability partnerships the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period. In preparing these financial statements, the members are required to

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

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the partnership's transactions and disclose with reasonable accuracy at any time the financial position of the partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations. They are also responsible for safeguarding the assets of the partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF SOMERSET CAPITAL MANAGEMENT LLP

We have audited the financial statements of Somerset Capital Management LLP for the year ended 31 March 2012 which comprise the Balance Sheet, the Profit and Loss Account, the Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF MEMBERS AND AUDITOR

As explained more fully in the Members' Responsibilities Statement on page 4, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

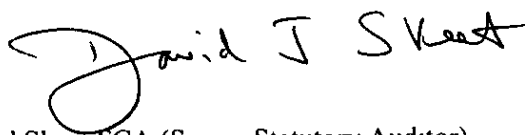
- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



David Skeet FCA (Senior Statutory Auditor)
For and on behalf of Steele Robertson Goddard
Chartered Accountants and Statutory Auditor
London, United Kingdom

27 June 2012

SOMERSET CAPITAL MANAGEMENT LLP

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2012

	Note	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Turnover	1	4,938,506	3,664,177
Administration expenses		<u>(1,848,113)</u>	<u>(1,394,984)</u>
Operating profit	2	3,090,393	2,269,193
Interest receivable and similar income		249	319
Dividends receivable		168	157
(Loss)/gain on investments		<u>(964)</u>	<u>3,202</u>
Profit for the year before members' remuneration and profit shares		3,089,846	2,272,871
Members' remuneration charged as an expense		<u>(1,235,939)</u>	<u>(909,148)</u>
Retained profit for the year available for discretionary division among members		<u>1,853,907</u>	<u>1,363,723</u>

There are no recognised gains and losses in the year other than disclosed in the profit and loss account above

All activities related to continuing operations

There is no difference between the retained profit for the year available for discretionary division among members and their historical cost equivalents

The notes on pages 10 to 14 form part of these financial statements

SOMERSET CAPITAL MANAGEMENT LLP

BALANCE SHEET


as at 31 March 2012

	Note	31 March 2012 £	31 March 2011 £
Current assets			
Investments	5	30,088	31,052
Debtors	6	2,025,951	1,731,483
Cash at bank and in hand		<u>842,153</u>	<u>439,490</u>
		2,898,192	2,202,025
Current liabilities			
Creditors Amounts falling due within one year	7	<u>(405,011)</u>	<u>(203,303)</u>
Net assets attributable to members		<u>2,493,181</u>	<u>1,998,722</u>
Represented by:			
Loans and other debts due to members within one year	8	2,274	-
Members' other interests classified as equity under FRS 25			
Members' capital	8	636,999	634,999
Other reserves	8	<u>1,853,908</u>	<u>1,363,723</u>
		2,490,907	1,998,722
		<u>2,493,181</u>	<u>1,998,722</u>
Total members' interests:			
Members' other interests	8	2,490,907	1,998,722
Loans and other debts due from members	6	(771,610)	(894,494)
Loans and other debts due to members	8	<u>2,274</u>	<u>-</u>
		<u>1,721,571</u>	<u>1,104,228</u>


The financial statements were approved on 27 June 2012 and signed by the designated members



Edward Robertson
Designated Member



Dominic Johnson
Designated Member



Jacob Rees-Mogg
Designated Member

Somerset Capital Management LLP
Company No OC327862

The notes on pages 10 to 14 form part of these financial statements

SOMERSET CAPITAL MANAGEMENT LLP

CASH FLOW STATEMENT

for the year ended 31 March 2012

	Note	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Net cash inflow from operating activities	9	2,850,471	2,287,089
Returns on investment and servicing of finance			
Interest received		249	319
Dividends received		168	157
		<u>417</u>	<u>476</u>
Transactions with members			
Capital introduced by members		152,000	27,363
Capital repaid to members		(150,000)	-
Drawings paid to members		(2,482,139)	(2,149,531)
Other amounts paid to members		-	(227)
Other amounts received from members		<u>7,636</u>	<u>-</u>
		<u>(2,472,503)</u>	<u>(2,122,395)</u>
Increase in cash in the year		<u>378,385</u>	<u>165,170</u>
Reconciliation of net cash flow to movement in net funds:			
Increase in cash in the year	10	378,385	165,170
Foreign exchange differences		<u>24,278</u>	<u>(67,192)</u>
Movement in net funds in the year		402,663	97,978
Net funds at beginning of the year		<u>439,490</u>	<u>341,512</u>
Net funds at end of the year	10	<u>842,153</u>	<u>439,490</u>

The notes on pages 10 to 14 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

1. ACCOUNTING POLICIES

a) Basis of accounting

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice Accounting by Limited Liability Partnerships (2010 version)

b) Turnover

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

c) Expenses

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

d) Taxation

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

e) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of transaction. Assets and liabilities denominated in foreign currency are translated at the rates ruling at the balance sheet date. Exchange differences are taken into the profit and loss account.

f) Current asset investments

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

g) Cash flow statement

For the purposes of the cash flow statement only, cash comprises cash in hand and overnight deposits, net of the amount of any overdrafts.

h) Members' remuneration and interests

Members' rights to participate in the profits or losses, or assets of the LLP are analysed between those that give rise to, from the LLP's perspective, either a financial liability or equity, in accordance with FRS 25, 'Financial Instruments: Disclosure and Presentation' ("FRS 25") and UITF Abstract 39, 'Members' Shares in Co-operative Entities and Similar Instruments'. Members' different participation rights are analysed separately into liability and equity elements.

SOMERSET CAPITAL MANAGEMENT LLP

NOTES TO THE FINANCIAL STATEMENTS – continued **for the year ended 31 March 2012**

h) Members' remuneration and interests - continued

Members' remuneration

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

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

Such amounts are not presented as an expense within the profit and loss account. A discretionary division of profits that takes place after the balance sheet date is a non-adjusting event under FRS 21, Events after the balance sheet date

Members' interests

Members' capital is accounted for in accordance with FRS 25. Where the LLP has a contractual obligation to deliver cash or another financial asset to the member, the capital is treated as debt. Where the LLP has an unconditional right to avoid delivering cash or other financial assets to a member in respect of such amounts (i.e. repayment of the member's capital is discretionary) it is treated as equity.

2. OPERATING PROFIT

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
This is stated after charging		
Auditors' remuneration –		
Audit services	4,000	4,000
Taxation services	2,400	900
Foreign exchange differences	<u>(24,278)</u>	<u>67,192</u>

A management charge of £1,188,195 (2011: £775,118) was paid to the corporate member, Somerset Capital Management Limited (see note 11 on Related Party Transactions). This includes the auditors' remuneration shown above.

3. EMPLOYEES

The partnership has no direct employees.

SOMERSET CAPITAL MANAGEMENT LLP

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 March 2012

4. MEMBERS' REMUNERATION

The profit for the year available for discretionary division among members was £1,853,907 (2011 £1,363,723)

The largest entitlement to profit of a member during the year was £267,787 (2011 £190,921)

Average monthly number of members	Year ended 31 March 2012 No.	Year ended 31 March 2011 No.
Office and management	14	14
Corporate members	5	5
	<u>19</u>	<u>19</u>

5. CURRENT ASSET INVESTMENTS

	31 March 2012 £	31 March 2011 £
Other investments		
PFS Somerset Global Emerging Markets Fund	<u>30,088</u>	<u>31,052</u>

6. DEBTORS

	31 March 2012 £	31 March 2011 £
Amounts due from members	771,610	894,494
Trade debtors	531,839	98,552
Amounts due from Somerset Capital Management Limited (note 11)	97,862	20,475
Amounts due from Somerset Capital Management (Cayman) Limited (note 11)	18,769	12,463
Prepayments and accrued income	<u>605,871</u>	<u>705,499</u>
	<u>2,025,951</u>	<u>1,731,483</u>

7. CREDITORS: Amounts falling due within one year

	31 March 2012 £	31 March 2011 £
Trade creditors	7,770	18,507
Amounts due to Somerset Capital Management Singapore Pte Limited (note 11)	337,030	49,447
Other creditors	38,507	135,349
VAT payable	13,590	-
Accruals	<u>8,114</u>	<u>-</u>
	<u>405,011</u>	<u>203,303</u>

SOMERSET CAPITAL MANAGEMENT LLP

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 March 2012

8. RECONCILIATION OF MOVEMENTS IN MEMBERS OTHER AND TOTAL INTERESTS

	Members' capital £	Other reserves classified as equity £	Total £	Loans and other debts due to/from members £	Total £	2011 Total £
Amounts due from members	-	-	-	(894,494)	-	-
Opening Members' interests	634,999	1,363,723	1,998,722	(894,494)	1,104,228	953,752
Profit for the financial year available for division among members	-	3,089,846	3,089,846	-	3,089,846	2,272,871
Members' interests after profit for the year	634,999	4,453,569	5,088,568	(894,494)	4,194,074	3,226,623
Division of profit	-	(2,599,661)	(2,599,661)	2,599,661	-	-
Introduced by Members	152,000	-	152,000	-	152,000	34,999
Repaid to Members	(150,000)	-	(150,000)	-	(150,000)	-
Drawings	-	-	-	(2,482,139)	(2,482,139)	(2,149,531)
Other movements	-	-	-	7,636	7,636	(7,863)
	636,999	1,853,908	2,490,907	(769,336)	1,721,571	1,104,228
Amounts due to members	-	-	-	2,274	-	-
Amounts due from members	-	-	-	(771,610)	-	-
Members' interests at 31 March 2012	636,999	1,853,908	2,490,907	(769,336)	1,721,571	1,104,228

Amounts due to members have been subordinated to the claims of other creditors in a winding up of the LLP

9. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Operating profit	3,090,393	2,269,193
Increase in debtors	(417,351)	(153,733)
Increase in creditors	201,707	104,437
Foreign exchange differences	(24,278)	67,192
Net cash inflow from operating activities	2,850,471	2,287,089

SOMERSET CAPITAL MANAGEMENT LLP

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 March 2012

10. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2011 £	Cash inflow/ (outflow) £	Non-cash movement £	At 31 March 2012 £
Net cash				
Cash at bank and in hand	439,490	378,385	24,278	842,153
Net cash	439,490	378,385	24,278	842,153

11. RELATED PARTY TRANSACTIONS

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

During the year the LLP to its corporate member, Somerset Capital Management Limited ("SCM Limited"), paid management charges of £1,188,195 (2011 £775,118) in respect of expenses incurred on behalf of the LLP and allocated profits of £353,345 (2011 £638,887). SCM Limited is controlled by Dominic Johnson, Jacob Rees-Mogg and Edward Robertson, members of the LLP.

At 31 March 2012 SCM Limited owed the LLP £97,862 (2011 £20,475).

During the year the LLP paid management charges to Somerset Capital Management Singapore Pte Limited ("SCMS Limited") of £540,552 (2011 £421,788) in respect of expenses incurred on behalf of the LLP. At 31 March 2012, the LLP owed SCMS Limited £337,030 (2011 £49,447). SCMS Limited is ultimately controlled by Dominic Johnson, Jacob Rees-Mogg and Edward Robertson, members of the LLP.

At 31 March 2012, Somerset Capital Management (Cayman) Limited ("SCMC Limited") owed the LLP £18,769 (2011 £12,463). SCMC Limited is ultimately controlled by Dominic Johnson, Jacob Rees-Mogg and Edward Robertson, members of the LLP.