

SFM UK Management LLP

Members' report and financial statements

for the period ended 31 December 2019

Registered number: OC338341



Information

Designated Members N Pegrum
SFM UK Holdings Limited

LLP registered number OC338341

Registered office 1 New Burlington Place
1st Floor
London
W1S 2HR

Auditor Buzzacott LLP
130 Wood Street
London
EC2V 6DL

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Members' report

For the year ended 31 December 2019

The members present their annual report together with the audited financial statements of SFM UK Management LLP ('the LLP') for the year ended 31 December 2019.

Principal activity

The principal activity of the LLP during the year was that of providing investment management services.

Designated members

The designated members during the year were as follows:

SFM UK Holdings Limited
Neil Pegrum

SFM UK Holdings Limited controls 99.5% (2018: 99.7%) of the voting rights of the LLP.

Impact of the COVID-19 pandemic

The members have considered the impact of the current COVID-19 pandemic on the LLP's operations, with a particular focus on its effect on our suppliers, our members and our employees.

The members do not consider this to be cause for material uncertainty in respect of the LLP's ability to continue as a going concern. The LLP has adapted well, successfully employing contingency plans, and we consider that the LLP has sufficient cash resources to continue for the foreseeable future, despite the current crisis.

Members' capital and interests

Details of changes in members' capital in the year ended 31 December 2019 are set out in the Reconciliation of members' interests.

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 requirements of the business.

Policy with respect to members' drawings and the subscription of members' capital

Distribution of the cumulative total profits shall be made to each working member on an annual basis up to the aggregate of their priority, performance and discretionary drawings. Profits equal to interest on Regulatory Capital at the base rate of the Bank of England at 31 December each financial period are allocated to the managing member (SFM UK Holdings Limited). Remaining profits are allocated at the discretion of the managing member. Losses shall be allocated to members in accordance with their voting percentages.

All working members are entitled to monthly drawings as agreed by the managing member. If any member draws in excess of his share of the profits, then such excess shall be carried forward and offset against his entitlement to profits in the subsequent financial period. Each working member shall be required to make a financial contribution to the LLP.

During the year, capital of £1,070,000 (2018 - £nil) was contributed to the LLP by its members.

The designated members shall ensure that at all times the LLP has sufficient capital that is at least equal to its Regulatory Capital.

Members' report (continued)

For the year ended 31 December 2019

FCA disclosures

The Pillar 3 and stewardship code disclosures of the LLP as required by the FCA are attached as an appendix to these financial statements on pages 20 - 23.

Members' responsibilities statement

The members are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 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 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 to 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 the 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.

This report was approved by the members on 24 April 2020 and signed on their behalf by:



M Rajani
on behalf of SFM UK Holdings Limited
Designated member

Independent auditor's report to the members of SFM UK Management LLP

For the year ended 31 December 2019

Opinion

We have audited the financial statements of SFM UK Management LLP (the 'LLP') for the year ended 31 December 2019, which comprise the Statement of comprehensive income, the Statement of financial position, the Reconciliation of members' interests and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to limited liability partnerships by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the LLP in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the LLP's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The members are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of SFM UK Management LLP (continued)

For the year ended 31 December 2019

Other information (continued)

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

Responsibilities of members

As explained more fully in the Members' responsibilities statement, 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 LLP'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 LLP 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Buzzacott

Independent auditor's report to the members of SFM UK Management LLP (continued)

For the year ended 31 December 2019

Use of our report

This report is made solely to the LLP's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied by Part 12 of The Limited Liability Partnerships (Accounts and Audit) (Applications 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 for our audit work, for this report, or for the opinions we have formed.



Peter Chapman (Senior statutory auditor)
for and on behalf of

Buzzacott LLP

Statutory auditor
130 Wood Street
London
EC2V 6DL

24 April 2020

Statement of comprehensive income

For the year ended 31 December 2019

	Note	2019 £	2018 £
Revenue	4	51,692,752	29,622,500
Administrative expenses		(15,478,957)	(14,810,208)
Other operating income	5	18,718	171,808
		<u> </u>	<u> </u>
Profit for the year before members' remuneration and profit shares		36,232,513	14,984,100
		<u> </u>	<u> </u>
Profit for the year before members' remuneration and profit shares		36,232,513	14,984,100
Members' remuneration charged as an expense		(34,548,702)	(13,418,860)
		<u> </u>	<u> </u>
Profit for the financial year available for discretionary division among members		1,683,811	1,565,240
		<u> </u>	<u> </u>

All amounts relate to continuing activities.

There was no other comprehensive income for 2019 or 2018.

The notes on pages 9 to 19 form part of these financial statements.

Statement of financial position

As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	10	1,089,486	1,360,381
Current assets			
Debtors	11	45,392,347	26,571,034
Cash at bank and in hand	12	205,282	368,150
		<u>45,597,629</u>	<u>26,939,184</u>
Creditors: amounts falling due within one year	13	(7,241,545)	(6,574,443)
Net current assets		<u>38,356,084</u>	<u>20,364,741</u>
Total assets less current liabilities		<u>39,445,570</u>	<u>21,725,122</u>
Net assets		<u>39,445,570</u>	<u>21,725,122</u>
Represented by:			
Loans and other debts due to members within one year			
Other amounts		34,945,570	18,295,122
Members' other interests			
Members' capital classified as equity		4,500,000	3,430,000
		<u>39,445,570</u>	<u>21,725,122</u>
Total members' interests			
Loans and other debts due to members	14	34,945,570	18,295,122
Members' other interests		4,500,000	3,430,000
		<u>39,445,570</u>	<u>21,725,122</u>

The financial statements were approved and authorised for issue by the members and were signed on their behalf on 24 April 2020.



M Rajani

on behalf of SFM UK Holdings Limited

Designated member

The notes on pages 9 to 19 form part of these financial statements.

Reconciliation of members' interests

For the year ended 31 December 2019

	Equity Members' other interests			Debt Loans and other debts due to members less any amounts due from members in debtors		Total members' interests
	Members' capital (classified as equity) £	Other reserves £	Total £	Other amounts £	Total £	Total £
Amounts due to members				28,380,033	28,380,033	
Balance at 1 January 2018	3,430,000	-	3,430,000	28,380,033	28,380,033	31,810,033
Members' remuneration charged as an expense	-	-	-	13,418,858	13,418,858	13,418,858
Profit for the year available for discretionary division	-	1,565,240	1,565,240	-	-	1,565,240
Members' interests after profit for the year	3,430,000	1,565,240	4,995,240	41,798,891	41,798,891	46,794,131
Allocated profit for the year	-	(1,565,240)	(1,565,240)	1,565,240	1,565,240	-
Drawings	-	-	-	(25,069,009)	(25,069,009)	(25,069,009)
Amounts due to members				18,295,122	18,295,122	
Balance at 31 December 2018	3,430,000	-	3,430,000	18,295,122	18,295,122	21,725,122
Members' remuneration charged as an expense	-	-	-	34,548,702	34,548,702	34,548,702
Profit for the year available for discretionary division	-	1,683,811	1,683,811	-	-	1,683,811
Members' interests after profit for the year	3,430,000	1,683,811	5,113,811	52,843,824	52,843,824	57,957,635
Allocated profit for the year	-	(1,683,811)	(1,683,811)	1,683,811	1,683,811	-
Amounts introduced by members	1,070,000	-	1,070,000	-	-	1,070,000
Drawings	-	-	-	(14,832,065)	(14,832,065)	(14,832,065)
Other movements	-	-	-	(4,750,000)	(4,750,000)	(4,750,000)
Amounts due to members				34,945,570	34,945,570	
Balance at 31 December 2019	4,500,000	-	4,500,000	34,945,570	34,945,570	39,445,570

The notes on pages 9 to 19 form part of these financial statements.

The members are only permitted to reduce the amount of 'Members' other interests' at the sole discretion of the LLP.

Notes to the financial statements

For the year ended 31 December 2019

1. General information

SFM UK Management LLP is a limited liability partnership incorporated in England and Wales. The registered office of the LLP is 1 New Burlington Place, 1st Floor, London, W1S 2HR.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'), the Companies Act 2006 and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" issued in January 2017 ('the LLP SORP').

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the LLP's accounting policies (see note 3).

The principal accounting policies are set out below.

2.2 FRS 102 - reduced disclosure exemptions

The LLP, as a qualifying entity, has taken advantage of the reduced disclosures for subsidiaries set out in section 1 of FRS 102. The LLP has elected not to prepare a statement of cash flows, to not disclose remuneration to key management personnel and taken the exemptions covering the disclosure of financial instruments. This information is disclosed in the consolidated financial statements of SFM UK Holdings Limited and can be obtained from Companies House.

2.3 Going concern

The members have considered the impact of the current COVID-19 pandemic on the LLP's operations, with a particular focus on its effect on our suppliers, our members and our employees.

The members do not consider this to be cause for material uncertainty in respect of the LLP's ability to continue as a going concern. The LLP has adapted well, successfully employing contingency plans, and we consider that the LLP has sufficient cash resources to continue for the foreseeable future, despite the current crisis.

2.4 Statement of changes in equity

A reconciliation of members' interests has been presented as a primary statement instead of a statement of changes in equity per paragraph 60A of the LLP SORP.

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

2.5 Revenue

Revenue represents income derived from the LLP's principal activity of providing investment management services to Soros Fund Management LLC, Quantum Partners LP, and affiliates in accordance with the Investment Management Agreements.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the LLP and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the LLP will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The LLP adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the LLP. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Leasehold improvements	-	Over the lease term
Equipment, furniture and fittings	-	25% per annum
Computer equipment	-	33.3% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Administrative expenses' in the Statement of comprehensive income.

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

2.7 Operating leases

Rentals paid 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 recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The LLP has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2018 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.8 Debtors

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

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Financial instruments

The LLP only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

2.10 Financial instruments (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the LLP would receive for the asset if it were to be sold at the reporting date.

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

2.11 Creditors

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

2.12 Foreign currency translation

Functional and presentation currency

The LLP's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except where deferred in other comprehensive income as qualifying cash flow hedges.

2.13 Pensions

Defined contribution pension plan

The LLP operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the LLP pays fixed contributions into a separate entity. Once the contributions have been paid the LLP has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the LLP in independently administered funds.

Notes to the financial statements

For the year ended 31 December 2019

2. Accounting policies (continued)

2.14 Deferred compensation plan

Obligations for members' and employees' compensation are charged to the profit and loss account as members' remuneration or administrative expenses over the members' and employees' qualifying performance year. The liabilities could potentially increase or decrease based on factors including the benchmarked return linked to the compensation scheme. Unvested amounts are therefore disclosed as a contingent liability and are not recognised in the profit and loss account.

2.15 Taxation

The taxation payable on the partnership profits is the personal liability of the members and consequently neither taxation nor related deferred taxation are accounted for in the financial statements. Amounts retained for tax are treated in the same way as other profits of the partnership and are included in "Members' interests" or in "Loans and other debts due to members" depending on whether or not division of profits has occurred.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The members did not consider that there were any significant areas of estimation uncertainty or application of judgement.

4. Revenue

Revenue represents the amounts derived from the provision of investment management services to Soros Fund Management LLC, Quantum Partners LP and affiliates.

All revenue arose within the United Kingdom.

5. Other operating income

	2019 £	2018 £
Income from sub-tenant	16,182	113,856
Service charge receivable	2,536	56,536
Bank interest receivable	-	120
Other interest receivable	-	1,296
	18,718	171,808

Notes to the financial statements

For the year ended 31 December 2019

6. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Exchange differences	(38)	(3,745)
Payments under operating leases	704,567	944,079

7. Auditor's remuneration

	2019 £	2018 £
Fees payable to the LLP's auditor and its associates for the audit of the LLP's annual accounts	11,250	11,250

Fees payable to the LLP's auditor and its associates in respect of:

Other assurance related services	2,000	1,000
Taxation compliance services	3,000	3,000
All other non-audit services not included above	78,325	72,853
	83,325	76,853

Notes to the financial statements

For the year ended 31 December 2019

8. Staff costs and average number of employees

Staff costs during the year were as follows:

	2019 £	2018 £
Wages and salaries	7,875,078	6,915,204
Social security costs	1,033,629	958,705
Cost of defined contribution scheme	167,597	176,656
	<u>9,076,304</u>	<u>8,050,565</u>

The average monthly number of persons (including members with contracts of employment) employed during the year was as follows:

	2019 No.	2018 No.
Investment professionals	14	11
Non-investment professionals	6	5
	<u>20</u>	<u>16</u>

9. Information in relation to members

	2019 No.	2018 No.
The average number of members during the year was	<u>5</u>	<u>4</u>
	2019 £	2018 £
The amount of profit attributable to the member with the largest entitlement was	<u>16,865,646</u>	<u>8,562,659</u>

Notes to the financial statements

For the year ended 31 December 2019

10. Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2019	1,205,646	318,516	1,297,505	2,821,667
Additions	-	1,900	24,973	26,873
At 31 December 2019	1,205,646	320,416	1,322,478	2,848,540
Depreciation				
At 1 January 2019	182,788	110,722	1,167,776	1,461,286
Charge for the year	131,982	79,787	85,999	297,768
At 31 December 2019	314,770	190,509	1,253,775	1,759,054
Net book value				
At 31 December 2019	890,876	129,907	68,703	1,089,486
At 31 December 2018	1,022,858	207,794	129,729	1,360,381

11. Debtors

	2019 £	2018 £
Amounts owed by group undertakings	43,947,856	25,092,377
Other debtors	892,448	969,770
Prepayments and accrued income	552,043	508,887
	45,392,347	26,571,034

Other debtors includes an amount of £674,280 (2018 - £674,280) that relates to a rent deposit. This amount is receivable after more than one year.

Notes to the financial statements

For the year ended 31 December 2019

12. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	205,282	368,150
	<u>205,282</u>	<u>368,150</u>

13. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	7,500	36,710
Other taxation and social security	71,934	74,850
Other creditors	-	94,064
Accruals and deferred income	7,162,111	6,368,819
	<u>7,241,545</u>	<u>6,574,443</u>

The creditors of the LLP are protected to the value of the net assets on insolvency and are ranked before members.

Other creditors includes amounts relating to unpaid pension contributions.

14. Loans and other debts due to members

	2019 £	2018 £
Amounts due to members	34,945,570	18,295,122
	<u>34,945,570</u>	<u>18,295,122</u>

15. Contingent liabilities

Contingent liabilities regarding deferred compensation plans are disclosed in note 21. The contingent liabilities could potentially increase or decrease based on factors including the benchmarked return linked to the compensation scheme.

Other than the above, there were no contingent liabilities at 31 December 2019 or 31 December 2018.

Notes to the financial statements

For the year ended 31 December 2019

16. Pension commitments

The entity operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the entity in an independently administered fund. The pension cost charge represents contributions payable by the entity to the fund and are disclosed in note 8. Contributions totalling £nil (2018 - £nil) were payable to the fund at the reporting date.

17. Commitments under operating leases

At 31 December 2019, the LLP had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	749,200	749,200
Later than 1 year and not later than 5 years	2,996,800	2,996,800
Later than 5 years	1,280,824	2,030,024
	<u>5,026,824</u>	<u>5,776,024</u>

18. Capital commitments

There were no capital commitments at 31 December 2019 or 31 December 2018.

19. Related party transactions

At 31 December 2019, following the profit allocations for the year then ended, the LLP owed £1,819,881 to SFM UK Holdings Limited (2018 - £6,035,012)

During the year, the LLP charged £51,692,752 (2018 - £29,622,500) to Soros Fund Management LLC and affiliates for investment management services.

During the year, Soros Fund Management LLC paid £1,552,983 (2018 - £1,485,889) of expenses on behalf of the LLP.

At 31 December 2019, £43,947,856 (2018 - £25,092,373) was payable by Soros Fund Management LLC to the LLP.

SFM UK Holdings Limited and Soros Fund Management LLC are considered to be related parties by virtue of common control.

Notes to the financial statements

For the year ended 31 December 2019

20. Controlling party

The LLP is under the control of SFM UK Holdings Limited, the managing member of the LLP.

The ultimate parent company is Soros Fund Management LLC, a limited liability company incorporated in the United States of America. In the opinion of the designated members, there is no one single ultimate controlling party.

The smallest group of undertakings preparing consolidated financial statements including the LLP is headed by SFM UK Holdings Limited. The largest group of such undertakings is headed by Soros Fund Management LLC.

The financial statements of SFM UK Holdings Limited are available from the Registrar of Companies in the United Kingdom.

21. Compensation commitments

The LLP has adopted compensation arrangements where compensation commitments have been made to certain key members and employees based on a three year vesting schedule. Additionally, in 2019, commitments across 5 years were made to new members joining the LLP. The unvested commitments and vesting periods as at 31 December are as follows:

	2019 £	2018 £
2019	-	8,414,479
2020	13,868,258	6,338,388
2021	8,065,385	1,149,489
2022	6,842,518	-
2023	234,000	-
2024	184,000	-
	29,194,161	15,902,356

FCA Pillar 3 Disclosures

for the year ended 31 December 2019

Pillar 3 Disclosures – 31 December 2019

The Capital Requirements Directive ('the Directive') of the European Union establishes a regulatory capital framework across Europe governing the amount and nature of capital credit institutions and investment firms must maintain. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ('FCA') in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The FCA framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet the Pillar 3 obligations of the LLP.

The Members are permitted to omit required disclosures if they believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information.

In addition, the members may omit required disclosures where they believe that the information is regarded as proprietary or confidential. In the view of the members, proprietary information is that which, if it were shared, would undermine their competitive position. Information is considered to be confidential where there are obligations binding them to confidentiality with their customers, suppliers and counterparties.

Other than noted below, the members have made no omissions on the grounds that it is immaterial, proprietary or confidential.

Scope and application of the requirements

The LLP is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements. The LLP is categorised as a limited licence firm by the FCA for capital purposes. It is an investment management firm and as such has no trading book exposures.

The LLP is a member of a UK Consolidation Group in the UK and so is required to prepare consolidated reporting for prudential purposes at the level of the immediate parent. The members foresee no impediments to the prompt transfer of capital between group entities should the need arise and there are no differences in the basis of consolidation for accounting and prudential purposes.

FCA Pillar 3 Disclosures

for the year ended 31 December 2019

Risk management

The LLP is governed by its Managing Member, SFM UK Holdings Limited, which determines its business strategy and risk appetite. The Managing Member is also responsible for establishing and maintaining the LLP's governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Managing Member also determines how to mitigate the risk the business faces and assess on an on-going basis the arrangements to manage those risks. The Managing Member oversees the LLP's business risks through a framework of policy and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The Managing Member has identified that business, operational and credit risks are the main areas of risk to which the LLP is exposed. Annually the Managing Member formally reviews the risks, controls and other risk mitigation arrangements and assesses their effectiveness. Where the Managing Member identifies material risks it considers the financial impact of these risks as part of the business planning and capital management and concludes whether the amount of regulatory capital is adequate.

Regulatory capital

The LLP is a Limited Liability Partnership and its capital arrangements are established in its Partnership deed. Its capital is summarised as follows:

Capital	£'000
Members' capital	4,500
Total capital	4,500

The main features of the LLP's capital resources for regulatory purposes are as follows:

Capital item	£'000
Tier 1 capital less innovative tier 1 capital	4,500
Total tier 2 innovative tier 1 and tier 3 capital	—
Deductions from tier 1 and tier 2 capital	—
Total capital resources net of deductions	4,500

The LLP is small with a simple operational infrastructure. Its credit risk arises from fees receivable. The LLP follows the simplified standard approach to credit risk. The LLP is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

As discussed above the LLP is a limited licence firm and as such its capital requirements are the greater of:

- Its base capital requirement of €50,000; or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement.

FCA Pillar 3 Disclosures

for the year ended 31 December 2019

The Managing Members has identified credit risk exposure classes below:

		Risk weighted exposure amount £'000
Credit risk calculation	Rule	
Credit risk capital component	BIPRU 3.4	3,697
Counterparty risk capital component	BIPRU 13 & 14	—
		<u>3,697</u>

	Exposure £'000	Risk weighted	Risk weighted exposure amount £'000
National Government bodies	310	0%	—
Institutions	205	20%	41
Corporates	43,948	100%	43,948
Other items – fixed assets	2,224	100%	2,224
	<u>46,687</u>		<u>46,213</u>
	8% of risk weighted exposure		3,697
Credit risk capital component			3,697

The LLP has a market risk capital requirement of £31,403 on the basis it holds a net USD exposure of £392,538 at the balance sheet date. This is made up of prepaid assets and other debtors of £129,049 less accruals of £521,587 which are receivable and payable in USD respectively. To this extent, the LLP is exposed to movements in the market affecting the recoverable value of these assets.

It is the LLP's experience that the Fixed Overhead Requirement ("FOR") of £2,589,762 establishes its capital requirements. However as at 31st December 2019, the LLP had a temporary position whereby the sum of its credit risk and market risk capital requirements exceeded the FOR. As at this date, the firm still maintained a sufficient regulatory capital surplus.

Remuneration Code

The LLP is a Proportionality Level Three firm for the purposes of the Remuneration Code and as such, is able to dis-apply certain principles under the Remuneration Code ('the Code') on the basis of the nature, scale, size and complexity of its business. The LLP has assessed its compliance with the principles under the Code as implemented by the FCA in the Senior Management Arrangements, Systems and Controls Sourcebook ('SYSC') at SYSC 19C, and documented its response on a "comply or explain" basis in its Remuneration Policy Statement.

The LLP's remuneration policy has been determined by its senior management team with adherence to both regulatory requirements and internal policy. On a proportionality basis, the LLP has not appointed a dedicated remuneration committee, although all remuneration structures are reviewed and approved by the Remuneration Committee of its ultimate parent company.

FCA Pillar 3 Disclosures

for the year ended 31 December 2019

The Firm has also proportionately implemented the requirements under the Code to ensure that its policy:

- is consistent with and promote sound and effective risk management;
- does not encourage risk-taking that exceeds the Firm's level of risk tolerance;
- avoids conflicts of interest; and
- in line with the business strategy, objectives and long-term business interests of the Firm.

As such, the Firm is satisfied that the remuneration policy and subsequent remuneration structures are fairly and independently determined through the governing function of the Firm.

Variable remuneration is only payable once the LLP has satisfied its capital resourcing requirements under BIPRU. Any such payments that might be linked to performance would be payable on a discretionary basis and only upon completion of independent valuation and audit. Although as a Proportionality Level Three firm, the LLP may dis-apply principles under the Code with respect to retained shares, deferral and performance adjustment, it has implemented a company specific deferral programme which would be satisfactory to meet the requirements under the Code should they have been applied.

The aggregate remuneration information for the LLP is as follow:

Business Area	£'000
Investment Management	34,523
Operations	8,098
	42,621

Code Staff	£'000
Investment Professionals	34,523
Operations	495
	35,018