

Theleme Partners LLP

Report and Financial Statements

31 March 2017

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COMPANIES HOUSE

Designated Members

P Degorce
Theleme Services Limited

Members

L Elwes
O Hattink (resigned 31 December 2016)
T Keough
J Sheridan
P Shah
Z Ahmadullah

Auditors

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

Bankers

HSBC Bank Plc
1 Beadon Road
Hammersmith
London W6 0EA

Solicitors

Dechert LLP
160 Queen Victoria Street
London EC4V 4QQ

Akin Gump LLP
Ten Bishops Square
London E1 6EG

Registered Office

15 Davies Street
London W1K 3AG

Registered No. OC347655

Members' report

The members present their report and financial statements of Theleme Partners LLP (the "LLP") for the year ended 31 March 2017.

Incorporation

The LLP was incorporated on 3 August 2009 and commenced operations on 30 October 2009, the day that it was authorised to conduct investment business in the UK by the Financial Services Authority (predecessor to the Financial Conduct Authority).

Principal activity and review of the business

The principal activity of the LLP is to provide investment management services to Theleme Master Fund Limited and its two feeder funds, Theleme Fund Limited and Theleme Fund, LP (the "Funds").

The fee income that the LLP receives is contingent upon the size and performance of the assets of the Funds. The LLP achieved a profit of £36,628,191 for the year ended 31 March 2017 (£26,678,955 for the year ended 31 March 2016). The members are satisfied with the performance and results of the LLP for the year.

Future developments

The members are satisfied with the result for the year and remain optimistic about the future of the LLP, and as such do not anticipate any changes to the LLP's business model..

Principal risks and uncertainties

The LLP's income is in the form of management and performance fees in respect of its funds under management. The LLP considers the level and performance of funds under management to be the key performance indicator. The business is subject to the impact of risks associated with market and investment performance on the funds under management and to the risks with the tax and regulatory regimes within which the business operates and risks associated with attracting and retaining the services of key investment executives.

From an operational perspective, the key risk relates to the potential for non-compliance with the regulations issued by the Financial Conduct Authority that could lead to the LLP being subject to a fine or a ban on trading activities. This is managed through regular review of the LLP's compliance framework.

Members' profit allocation

Any profits are shared among the members as governed by the applicable LLP Agreement. Members are entitled to drawings from the Partnership at the discretion of the members in anticipation of the allocation of future profits.

Policy with respect to members' drawings and subscriptions and repayment of members' capital

Policies for member's drawings, subscriptions and repayment of member's capital are governed by the Limited Liability Partnership Agreement. In accordance with the Partnership Agreement, each member of the Partnership is required to make a capital contribution to the Partnership. Additional capital subscriptions require the agreement of all members of the Partnership. Capital is repayable to the members at the discretion of the members of the Partnership on ceasing to be a member of the Partnership (or on winding up). The Partnership has no obligation to repay capital to the members.

Members' report

Going concern

The LLP's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the LLP and its liquidity position are reflected on the statement of financial position. The LLP has sufficient financial resources and ongoing investment management contracts. As a consequence, the members believe that the LLP is well placed to manage its business risks successfully. The members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future being a period of at least 12 months from the date that these financial statements were approved. Thus they adopt the going concern basis of accounting in preparing the annual financial statements.

Designated members

The designated members who served the LLP during the year and at the date of this report were as follows:

P Degorce
Theleme Services Limited

Pillar 3

The Unaudited Pillar 3 disclosures required under Chapter 11 of the Financial Conduct Authority's Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") are available on the LLP's website (www.thelemepartners.com).

UK stewardship code disclosures

Disclosures required by the FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) COBS 2.2.3 – Disclosure of commitment to the Financial Reporting Council's Stewardship Code are available on the LLP's website (www.thelemepartners.com).

Disclosure of information to the auditors

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

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of Members



Designated member

Date 23/6/17

Statement of members' responsibilities

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 made under the Limited Liability Partnerships Act 2000 partnerships requires the members to prepare financial statements for each financial year. Under that regulation 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) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable to the United Kingdom and applicable law'. Under the regulation 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 those financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 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.

Independent auditors' report

to the members of Theleme Partners LLP

We have audited the financial statements of Theleme Partners LLP for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Reconciliation of Movements in Members' Interests, the Statement of Cash Flows and the related notes 1 to 8. 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland'.

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied 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 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 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 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 Members' 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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2017 and of its profits 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.

Independent auditors' report

to the members of Theleme Partners LLP

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; or
- the members were not entitled to prepare financial statements in accordance with the small limited liability partnerships' regime.



James Beszant (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 27 JUNE 2017

Statement of comprehensive income

for the year ended 31 March 2017

	Notes	2017 £	2016 £
Turnover			
Performance fees		22,268,102	14,115,139
Management fees		20,164,211	17,999,742
Administrative expenses		(6,021,947)	(5,376,816)
Operating profit	2	36,410,366	26,738,065
(Loss)/gain on foreign exchange		217,825	(59,110)
Profit for the financial year available for division among members		<u>36,628,191</u>	<u>26,678,955</u>

All amounts relate to continuing activities.

During the year the LLP incurred no other comprehensive income (2016 - £nil). Accordingly the profit for the year is equivalent to the total comprehensive income.

Notes 1 to 8 form an integral part of these financial statements

Statement of financial position

at 31 March 2017

	Notes	2017 £	2016 £
Current assets			
Debtors	4	7,564,017	5,341,340
Cash and cash equivalents		<u>1,061,210</u>	<u>1,021,239</u>
		8,625,227	6,362,579
Creditors: amounts falling due within one year	5	<u>(7,968,193)</u>	<u>(5,705,545)</u>
Net assets attributable to members		<u>657,034</u>	<u>657,034</u>
Represented by:			
Equity			
Members' capital classified as equity		<u>657,034</u>	<u>657,034</u>
Total members' interests			
Amounts due to members		7,558,946	5,372,584
Members' other interests		<u>657,034</u>	<u>657,034</u>
		<u>8,215,980</u>	<u>6,029,618</u>

The financial statements on pages 7 to 13 were approved by the members and authorised for signature on their behalf by


 For and on Behalf of Theleme Services Limited (Designated Member)

Date: 23/6/17

Notes 1 to 8 form an integral part of these financial statements

Reconciliations of Movements in Members' Interests

for the year ended 31 March 2017

	<i>Members' capital classified as equity</i>	<i>Other reserves / profit for the year</i>	<i>Total members' other interest</i>	<i>Loans and other debts due to/(from) members</i>	<i>Members total interest</i>
	£	£	£	£	£
At 1 April 2015	652,034	–	652,034	4,074,992	4,727,026
Contribution by members	5,000	–	5,000	–	5,000
Profit for the year	–	26,678,955	26,678,955	–	26,678,955
Allocations of profit	–	(26,678,955)	(26,678,955)	26,678,955	–
Drawings	–	–	–	(25,381,363)	(25,381,363)
At 31 March 2016	657,034	–	657,034	5,372,584	6,029,618
Profit for the year	–	36,628,191	36,628,191	–	36,628,191
Allocations of profit	–	(36,628,191)	(36,628,191)	36,628,191	–
Drawings	–	–	–	(34,441,829)	(34,441,829)
At 31 March 2017	657,034	–	657,034	7,558,946	8,215,980

Amounts owed to individual members (per above)	7,558,946
Amounts due from corporate member (included in debtors)	(202,461)
Total amounts due to/(from) members	7,356,485

Notes 1 to 8 form an integral part of these financial statements

Statement of cash flows

for the year ended 31 March 2017

	Notes	2017 £	2016 £
Net cash inflow from operating activities	6(a)	25,141,693	20,100,589
Net cash outflow from financing activities	6(b)	(25,101,722)	(20,046,214)
Increase in cash	6(c)	<u>39,971</u>	<u>54,375</u>

Reconciliation of net cash flow to movement in net funds

	2017 £	2016 £
At 1 April	1,021,239	966,864
Increase in cash	<u>39,971</u>	<u>54,375</u>
Net cash at 31 March	<u>1,061,210</u>	<u>1,021,239</u>

Notes 1 to 8 form an integral part of these financial statements

Notes to the financial statements

at 31 March 2017

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with applicable UK accounting standards including Financials Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' issued in January 2017 applicable for periods commencing on or after 1 January 2016.

Turnover

Turnover, which is stated net of any value added tax, represents fees receivable for investment management services provided during the year from continuing activities and as recognised when the LLP obtains the right for consideration in exchange for its performance.

Fees receivable include management and performance fees remitted to the LLP from Theleme Capital Partners Limited (Cayman), a company registered in Georgetown, Cayman Islands, British West Indies.

Performance fees may be received, in part, by way of restricted shares in the funds managed. The restrictions result in an inability to liquidate such shares for periods of 1, 3, 5 or 10 years and accordingly the shares (and the associated revenue) are recorded at fair value, incorporating a discount per annum in respect of the restrictions. The resultant profit is allocated between the members and such allocations are satisfied by the distribution of cash and shares to each member of the appropriate fair value. The fair value of the restricted shares has been determined following methodologies advised by independent experts.

Expenses

Expenses incurred have been recognised within the statement of comprehensive income on an accruals basis.

Foreign currencies

The LLP's functional and presentation currency is British Pound Sterling. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Taxation

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

Members' participation rights

Non-discretionary amounts that become due to members in respect of participation rights in the profits of the LLP for the financial year and which give rise to liabilities are presented as an expense within the profit and loss account. Amounts becoming due to members in respect of equity participation rights following a discretionary division of profits are debited directly to reserves in the year in which the division occurs.

Key judgements and estimates

In applying the LLP's accounting policies, the members may be required to make judgements and estimates that could impact the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year.

The members' estimates are based on the evidence available at the time; including historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such estimates, the actual results and outcomes may differ. Estimates are reviewed on an on-going basis and revisions to accounting estimates are recognised in the year in which the estimate is revised.

The performance fees received by way of restricted shares are recorded in the statement of comprehensive income at fair value. In order to calculate fair value, a discount is applied, which requires management to apply judgement as to the appropriate level of discount. An independent valuation expert has been appointed to establish a reasonable range of discount factors based on market data and management have selected a discount rate within that range.

Notes to the financial statements

at 31 March 2017

2. Operating profit

	2017	2016
	£	£
Operating profit is stated after charging:		
Auditors remuneration - audit services (paid by Theleme Services Limited)	8,750	10,000
Non-audit services are borne by Theleme Services Limited		

3. Members' remuneration

Any profits are shared among the members in accordance with the applicable LLP agreement. The average number of members during the year was 8 (2016 – 8) including the corporate member. Theleme Services Limited is a corporate member and provides staff and administration services to the LLP in relation to its operating activities. Allocations include £21,335,413 (2016 – £15,225,420) in relation to the member with the largest entitlement to profit.

4. Debtors

	2017	2016
	£	£
Fees receivable	7,361,556	5,217,414
Amounts due from Theleme Services Limited	202,461	123,926
	<u>7,564,017</u>	<u>5,341,340</u>

Amounts due from Theleme Services Limited are unsecured, interest free and due on demand.

5. Creditors: amounts falling due within one year

	2017	2016
	£	£
Other creditors	409,247	332,961
Amounts due to members	7,558,946	5,372,584
	<u>7,968,193</u>	<u>5,705,545</u>

6. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2017	2016
	£	£
Operating profit	36,410,366	26,738,065
Gain/(loss) on foreign exchange	217,825	(59,110)
Non-cash transactions (note 6d)	(9,340,107)	(5,330,149)
Increase in debtors	(2,222,677)	(1,235,235)
Increase/(decrease) in creditors	76,286	(12,982)
	<u>25,141,693</u>	<u>20,100,589</u>

Notes to the financial statements

at 31 March 2017

6. Notes to the statement of cash flows (continued)

(b) Analysis of cash flow for headings netted in the statement of cash flows

	2017	2016
	£	£
<i>Cash inflow/(outflow) from financing activities:</i>		
Contributions by members	–	5,000
Payments to members	(25,101,722)	(20,051,214)
	<u>(25,101,722)</u>	<u>(20,046,214)</u>

(c) Analysis of net funds

	At 1 April 2016	Cash flows	At 31 March 2017
	£	£	£
Cash at bank	<u>1,021,239</u>	<u>39,971</u>	<u>1,061,210</u>

(d) Non-cash transactions

Performance fees received by way of restricted shares in the funds managed amounted to £9,340,107 (2016 – £5,330,149). Members' drawings made in fund shares amounted to £9,340,107 (2016 – £5,330,149).

7. Related party transactions

Theleme Services Limited ("TSL") is the corporate member of the LLP. Theleme Capital Partners Limited (Cayman) ("TCP") is the parent undertaking of TSL.

Administrative expenses recharged to the LLP from TSL during the year amounted to £1,561,660 (2016 – £1,416,276). A balance of £202,461 was due from TSL as at 31 March 2017 (2016 – £123,926).

During the year the LLP earned management and performance fees of £42,432,313 (2016 – £32,114,881) receivable from TCP, of which £7,361,556 (2016 – £5,217,414) was outstanding at balance sheet date.

The Members are considered to have sole responsibility for the planning, directing and controlling of the activities of the LLP. No other employees are considered to meet this definition of key management personnel. As a result, the aggregate remuneration payable to key management personnel is disclosed in Note 3.

8. Ultimate parent undertaking and controlling party

Throughout the year control resided collectively with the individual members of the LLP. Patrick Degorce is the managing member.