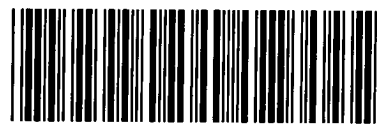


Theleme Partners LLP

Report and Financial Statements

For the year ended 31 March 2019

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COMPANIES HOUSE

Designated Members

Theleme Services Limited
Lucy Elwes

Auditor

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 2019.

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 £27,871,611 for the year ended 31 March 2019 (2018: £40,327,976). 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.

The members of the LLP continue to actively monitor the process for the United Kingdom's proposed withdrawal from the European Union ("Brexit") and continue to consider the potential implications of Brexit on the operations of the LLP. In this regard, the members note the decision of the European Union to extend the deadline for Brexit until 31 October 2019 with the proposed terms of the United Kingdom's withdrawal remaining uncertain.

The members note that the LLP's fund has limited exposure to the United Kingdom and Europe in general both in terms of investment strategy and investor profile. Therefore, whilst the LLP may experience some revenue volatility due to underlying fund performance as a result of Brexit, the members do not expect the immediate direct financial impact on the LLP to be significant.

Members' report (continued)

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 LLP Deed dated 14 March 2019 ("LLP Deed"). In summary, each member shall upon admission to the LLP make a contribution of such amount as shall be determined by all the founder members. No member shall have the right to withdraw or receive back any part of the capital contribution except winding-up of the LLP or on ceasing to be a member. Repayment of members' capital is determined at the discretion of the founder members.

Members are entitled to drawings from the LLP at the discretion of the members in anticipation of the allocation of future profits. If drawings are made in excess of allocated profits, the overdrawn balance shall be treated as an interest free loan to the Member. If aggregate profit allocation exceed drawings made by members, the residual balance is treated as a loan amount due to the member.

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

Profits are allocated among members in accordance with the LLP Deed dated 14 March 2019.

Going concern

The LLP's business activities, together with the factors likely to affect its future development, performance and position are set out in the members report. 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:

Theleme Services Limited
Lucy Elwes

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.thelempartners.com).

Members' report (continued)

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

Ernst & Young LLP will be proposed for reappointment by the members.

On behalf of Members

S. Mann (SARAH MANN)

For and behalf of Theleme Services Limited (Designated member)

Date 5 July 2019

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

Opinion

We have audited the financial statements of Theleme Partners LLP for the year ended 31 March 2019 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, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland.

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 limited liability partnership'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.

Independent auditors' report (continued)

to the members of Theleme Partners LLP

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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 the 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 Statement of Members' Responsibilities set out on page 5, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the partnership or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report (continued)

to the members of Theleme Partners LLP

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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Gaylor (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date

Statement of comprehensive income

for the year ended 31 March 2019

	Notes	2019 £	2018 £
Performance fees		12,015,917	24,707,327
Management fees		22,324,824	22,307,124
Research Income		2,973,569	1,045,863
Administrative expenses		(9,727,062)	(7,593,192)
Operating profit	2	27,587,248	40,467,122
Gain/(loss) on foreign exchange		284,363	(139,146)
Profit for the financial year available for division among members		<u>27,871,611</u>	<u>40,327,976</u>

All amounts relate to continuing activities.

During the year the LLP incurred no other comprehensive income (2018 - £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 2019

	Notes	2019 £	2018 £
Current assets			
Debtors	4	5,135,541	6,554,532
Cash and cash equivalents		2,014,891	1,640,884
		<u>7,150,432</u>	<u>8,195,416</u>
Creditors: amounts falling due within one year	5	<u>(930,195)</u>	<u>(1,006,803)</u>
Net assets attributable to members		<u>6,220,237</u>	<u>7,188,613</u>
Represented by:			
Loans and other debts due to members within one year		5,470,237	6,471,579
Members' capital classified as equity		750,000	717,034
		<u>6,220,237</u>	<u>7,188,613</u>
Total members' interests			
Amounts due to members		5,470,237	6,471,579
Members' other interests		750,000	717,034
		<u>6,220,237</u>	<u>7,188,613</u>

The financial statements on pages 8 to 16 were approved by the members and authorised for signature on their behalf by

S. Mann (SARAH MANN)
 For and on behalf of Theleme Services Limited (Designated Member)
 Date: 5 July 2019

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

Reconciliations of movements in members' interests

for the year ended 31 March 2019

	<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 2017	657,034	–	657,034	7,558,946	8,215,980
Contribution by members	70,000	–	70,000	–	70,000
Withdrawals by members	(10,000)	–	(10,000)	–	(10,000)
Profit for the year	–	40,327,976	40,327,976	–	40,327,976
Allocations of profit	–	(40,327,976)	(40,327,976)	40,327,976	–
Drawings	–	–	–	(41,415,343)	(41,415,343)
At 1 April 2018	717,034	–	717,034	6,471,579	7,188,613
Contribution by members	230,000	–	230,000	–	230,000
Withdrawals by members	(197,034)	–	(197,034)	–	(197,034)
Amounts due to corporate member	–	–	–	75,806	75,806
Profit for the year	–	27,871,611	27,871,611	–	27,871,611
Allocations of profit	–	(27,871,611)	(27,871,611)	27,871,611	–
Drawings	–	–	–	(28,948,759)	(28,948,759)
At 31 March 2019	750,000	–	750,000	5,470,237	6,220,237

Amounts owed to individual members (per above) £5,470,237

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

Statement of cash flows

for the year ended 31 March 2019

		2019	2018
	Notes	£	£
Net cash inflow from operating activities	6(a)	23,538,804	33,619,863
Net cash outflow from financing activities	6(b)	(23,164,797)	(33,040,189)
Increase in cash	6(c)	<u>374,007</u>	<u>579,674</u>

Reconciliation of net cash flow to movement in net funds

	2019	2018
	£	£
At 1 April	1,640,884	1,061,210
Increase in cash	<u>374,007</u>	<u>579,674</u>
Net cash at 31 March	<u>2,014,891</u>	<u>1,640,884</u>

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

Notes to the financial statements

at 31 March 2019

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.

Commitments and Contingencies

Included within Research Income are amounts paid by the funds managed for research costs incurred in the delivery of investment management services. These amounts are recognised when they become due and payable.

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 reporting rate. 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' profit allocation

A member's share in the profit or loss for the year is accounted for as an allocation of profits or losses. Any unallocated profit and losses are distributed to members in the following accounting period. Unpaid allocated profits and drawings in excess of profits allocated are included within loans and other debts due to/from members and treated as an interest free loan. Drawings in advance of profit allocation are recognised within loans and other debts due to/from members.

Notes to the financial statements

at 31 March 2019

1. Accounting policies (continued)

Debtors

Debtors are measured at fair value on initial recognition which equates to the amount expected to be receivable on settlement of the asset. Amounts are assessed for impairment with any impairment recognised in the Statement of Comprehensive Income.

Creditors

Creditors are initially measured at fair value which approximates to the amount expected to be required to settle the obligations on behalf of the LLP.

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.

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 reporting 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.

2. Operating profit

	2019	2018
	£	£
Operating profit is stated after charging:		
Auditors remuneration - audit services (paid by Theleme Services Limited)	10,300	10,300

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 6 (2018 – 7) 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 £15,034,638 (2018 – £19,703,757) in relation to the member with the largest entitlement to profit.

Notes to the financial statements

at 31 March 2019

4. Debtors

	2019 £	2018 £
Fees receivable	5,135,541	6,547,995
Amounts due from TSL	–	6,537
	<u>5,135,541</u>	<u>6,554,532</u>

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

5. Creditors: amounts falling due within one year

	2019 £	2018 £
Other creditors	<u>930,195</u>	<u>1,006,803</u>

6. Notes to the statement of cash flows

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

	2019 £	2018 £
Operating profit	27,587,248	40,467,122
Gain/(loss) on foreign exchange	284,363	(139,146)
Non-cash transactions (note 6d)	(5,675,191)	(8,315,152)
Decrease in debtors	1,418,992	1,009,483
Decrease in creditors	(76,608)	597,556
	<u>23,538,804</u>	<u>33,619,863</u>

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

	2019 £	2018 £
<i>Cash inflow/(outflow) from financing activities:</i>		
Contributions by members	230,000	70,000
Withdrawals by members	(197,034)	(10,000)
Amounts due to corporate member for support services	75,806	–
Payments to members	(23,273,569)	(33,100,189)
	<u>(23,164,797)</u>	<u>(33,040,189)</u>

Notes to the financial statements

at 31 March 2019

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

(c) Analysis of net funds

	<i>At</i> <i>1 April</i> <i>2018</i> <i>£</i>	<i>Cash flows</i> <i>£</i>	<i>At</i> <i>31 March</i> <i>2019</i> <i>£</i>
Cash at bank	1,640,884	374,007	2,014,891

(d) Non-cash transactions

Performance fees received by way of restricted shares in the funds managed amounted to £5,675,191 (2018 – £8,315,152). Members' drawings made in fund shares amounted to £5,675,191 (2018 – £8,315,152).

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 £2,286,401 (2018 – £1,868,785). A balance of £3,085,319 was due to TSL as at 31 March 2019 (2018 – £4,329,045).

During the year the LLP earned management and performance fees of £34,340,741 (2018 – £47,014,451) receivable from TCP, of which £5,135,541 (2018 – £6,547,995) 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

During the year control resided with Theleme Services Limited.