

Hermes GPE

Consolidated report and financial statements

Hermes GPE LLP

For the year ended
31 December 2018

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Limited Liability Partnership Registration No. OC348770

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Members and advisors

Members

Hermes Fund Managers Limited	(Designated Member)
GPE Partner Limited	(Designated Member)
HGPE Capital Limited	

Registered office

Sixth Floor
150 Cheapside
London EC2V 6ET
United Kingdom

Bankers

HSBC Bank PLC
62-76 Park Street
London SE1 9DZ
United Kingdom

Auditor

KPMG LLP
15 Canada Square
London E14 5GL
United Kingdom

Members' report

The Designated Members (together 'the Members') present their report and the audited consolidated financial statements of Hermes GPE LLP and its subsidiaries (together 'the Group') for the year ended 31 December 2018

Introduction to Hermes GPE

Hermes GPE LLP ('Hermes GPE' or 'the LLP') is a leading independent investor in global private markets. The business is a joint venture between its management team and Hermes Fund Managers Limited, an established investment management firm majority-owned by Federated Inc.

Headquartered in London, as at 31 December 2018 the firm employed 61 (2017: 51) staff globally, incorporating investment professionals, a finance and operations team, and investor relations teams. Hermes GPE is authorised and regulated by the Financial Conduct Authority in the United Kingdom and is an approved Alternative Investment Fund Manager, an approved promoter with the Guernsey Financial Services Commission, a Registered Investment Adviser with the United States Securities and Exchange Commission and has a financial services exemption with the Australian Securities and Investment Commission. Hermes GPE (Singapore) Pte Ltd, a subsidiary, is regulated by the Monetary Authority of Singapore. Hermes GPE (USA) Inc, a subsidiary, is a Registered Investment Advisor with the United States Securities and Exchange Commission. The LLP was established in accordance with the Limited Liability Partnership Agreement dated 24 December 2009 (the 'Limited Liability Partnership Agreement' or 'LLPA') as amended from time to time. The Partnership was registered in England & Wales on 21 September 2009.

Principal activity

The LLP acts as an investment manager and advisor, specialising in developing bespoke and diversified portfolios for clients that provide access to global private markets via fund investments, co-investments and direct investments in buyouts, growth businesses, infrastructure and renewables assets. In the main, these investments are made by funds managed by Hermes GPE which are subscribed to by clients. Such funds are long-term in nature, typically making and realising investments over a 10 to 20 year period. The Hermes GPE platform comprises of two distinct businesses, one investing in private equity and the other in infrastructure. The overriding objective is to offer clients the best and most relevant investment opportunities that match their risk / return criteria.

There has been no significant change in the LLP's principal activities during the year and the Members are not aware of any significant changes for the coming year.

Principal activity of subsidiary undertakings

The LLP's overseas operating companies based in the USA and Singapore provide origination, research, due diligence and monitoring services to the LLP. The principal activity of each of the Group's other subsidiary undertakings is set out in Note 7 of the Notes to the financial statements. As denoted in Note 7, certain subsidiaries are exempt from the requirements of the Companies Act 2006 ('the Act') relating to the audit of its individual accounts, by virtue of s479A of the Act. Audit exemption for these entities has been obtained via a statement from the LLP that it guarantees the subsidiaries under s479C of the Act.

Business model

Hermes GPE is a leading specialist investor in global private markets with a track record which spans over 25 years and manages £8.2bn (2017: £8.0bn) of capital for leading global pension funds and institutional investors.

The private equity team has built up specialist fund and co-investment programmes which have generated gross returns of 1.6x and 13.0% IRR ('Internal Rate of Return') and 1.6x and 16.8% IRR respectively. Realised co-investments have generated gross returns of 1.8x and 21.2% IRR.

The infrastructure team have established a shared platform for long term direct equity infrastructure investments, enabling institutional investors to access bespoke infrastructure investment solutions. The flagship infrastructure fund has generated gross returns from realised and unrealised investments of 10.5% IRR and a 9.0% cash yield.

The LLP manages private equity investments in 196 funds and 116 co-investments and infrastructure investments in 11 direct investments and two funds. The LLP generates revenues from management and advisory fees which it receives from clients in respect of these mandates.

Policy for Members' drawings, contributions and repayments of Members' capital.

Please refer to Note 1(l) of the Notes to the financial statements

Going concern

The Members have a reasonable expectation that the LLP and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in Note 1 of the Notes to the financial statements

Risk management

Risk Management Framework

The Risk Management Framework sets out the overall approach to managing the internal and external risks to which the Group is currently exposed or may be exposed to in the future. Underpinning this framework there are a number of supporting risk policies that describe the principles, the approach to risk management and define the content of the risk management process pursuant to the risks to which the Group is exposed.

The Risk Management Framework is founded on three pillars:

- ▶ Risk appetite - key parameters which set out how much risk the Members are prepared to accept;
- ▶ Corporate governance - the legal, organisational and management structure; and
- ▶ Policies and standards - the rules that determine how the Group should conduct itself

Good risk management, with the backing of a strong risk culture, is the responsibility of every employee. The Executive Committee has responsibility for the oversight and independent challenge of the risk management activities undertaken.

Three lines of defence and responsibilities

Hermes GPE's organisational structure facilitates a 'three lines of defence' approach to risk-related decision-taking and management.

- ▶ The relevant business areas operate as the first line of defence;
- ▶ Challenge and oversight supporting the effectiveness of risk management, compliance and governance; is provided by second line of defence functions that include Risk and Compliance; and
- ▶ Internal Audit provides the third line of defence to ensure that both risk management and controls are in place and operating effectively. This includes independent assurance on the operation of both the first and second line activities

Risk management system

The methodology employed to identify, assess/measure, monitor, manage (mitigate/control) and report risk on a continuous basis, forms the basis of the Group's risk management process. The process can be applied to all types of risk but is particularly relevant for operational risk and is explained in detail in the Risk Management Framework Policy.

Capital adequacy

The primary purpose of the Internal Capital Adequacy Assessment Process ('ICAAP') is to inform the Executive Committee of the ongoing assessment of the LLP's risks, how it intends to mitigate those risks, and how much current and future capital is necessary having considered other mitigating factors. The ICAAP is formally undertaken annually. Stress and scenario testing have been developed in order to test the robustness of the Group's regulatory capital against a variety of events.

Details of Pillar 3 disclosures can be found on the Hermes GPE LLP website as follows:

www.hermesgpe.com/about_us/pillar_3_disclosures_unaudited.

Governance

Hermes GPE is committed to the highest standards of corporate governance and ensures that these values are upheld throughout the business. Acting in the best long-term interests of Hermes GPE's clients and stakeholders is embedded in the Group's culture, systems and processes.

The Executive Committee of the LLP meets at least quarterly and comprises of an independent Non-Executive Chairman and representatives from the Institutional Members. The Executive Committee delegates separate responsibility for the day-to-day operation of the Private Equity and Infrastructure businesses to the Private Equity Management Committee and the Infrastructure Management Committee, respectively. The LLP has separate and distinct Remuneration and Investment Committees, and an Independent Valuation Committee which covers both Private Equity and Infrastructure.

Executive committee

David Gamble

Non-Executive Chairman of the Executive Committee

Non-Executive Chairman of the Remuneration Committee and Member of the Valuation Committee

As the independent, Non-Executive Chairman of Hermes GPE, David Gamble advises on governance, strategy, performance and development of the business. David has almost 40 years of pension fund experience and his investment career includes GEC Pension Fund, NM Rothschild & Sons Ltd and County NatWest Investment Management, where he was Deputy Chief Executive. He was President of NatWest Investment Banking USA from 1984 to 1989 and Chief Executive of British Airways Pension Investment Management Ltd from 1993 to 2004. He is also a former UK Chairman of GIPS (the Global Investment Performance Standards). David currently serves on the Investment Committee of one major pension fund and undertakes a number of non-executive and advisory roles in both asset management and private equity-backed companies.

Peter Gale

Institutional Representative of GPE Partner Limited

Peter is Head of Private Equity and the Institutional Representative of GPE Partner Limited on the Executive Committee of Hermes GPE. He is Chair of the Hermes GPE Management Committee and Chair of the Private Equity Investment Committee. He is responsible for all aspects of the private equity investment process including decisions on allocation and strategy for individual client portfolio construction. Peter has some 30 years of investment experience with more than 25 years in private equity. Previously, he was Managing Director and CIO of the Hermes GPE predecessor organisation, Gartmore Private Equity. Prior to this Peter was Investment Manager of the National Westminster Bank Pension Fund (later known as the RBS Group Pension Fund), where he was responsible for all investments and initiated both the private equity and co-investment programme. He was also Head of Asset Allocation for the wider Gartmore Group

Chris Taylor

Institutional Representative of Hermes Fund Managers Limited

Chris is the Institutional Representative of Hermes Fund Management Limited on the Executive Committee of Hermes GPE. Chris is CEO of Hermes Real Estate, and Head of Private Markets. He joined Hermes in 2010 from Australian fund manager QIC where he was responsible for establishing its European office in London. Prior to that he was head of European Property at HSBC. He spent the majority of his career as a fund manager at Prudential, where he led the diversification of its UK real estate exposure into overseas markets. Under his leadership, Hermes Real Estate has led a number of landmark real estate transactions, including the largest regeneration project in Europe at King's Cross and the rejuvenation of central Milton Keynes. Chris is currently the Chairman of MEPC, former President of the British Property Federation, a Fellow of the Royal Institution of Chartered Surveyors, a Member of the Bank of England Property Committee and a Founder Board Member of INREV.

Other key governance executives

Kevin Carter

Chairman of the Valuation Committee

Kevin Carter is the independent, Non-executive Chairman of the Hermes GPE Valuation Committee (which covers Private Equity and Infrastructure) and is a Member of the Private Equity Investment Strategy and Advisory Group. In addition to his responsibilities at Hermes GPE, he sits on the boards of a number of investment companies and corporate pension trusts, including the BBC and the Universities Superannuation Scheme. Previous roles include senior positions at Old Mutual Asset Managers, Watson Wyatt and JPMorgan Securities.

Peter Hofbauer

Head of Infrastructure

Peter is Head of the Infrastructure team and Chair of the Hermes GPE Infrastructure Management Committee and Investment Committee. He has over 37 years of financial services experience including over 32 years of global infrastructure investing. Peter joined as Head of Infrastructure in 2010 and has since led the fundraising and deployment of a number of pooled funds and segregated accounts. His previous roles include Global Head of Infrastructure at Babcock & Brown, where he was involved in the origination and management of more than 170 infrastructure assets globally with an aggregate value of US\$25bn, and Associate Director at Westpac Banking Corporation, focusing on project finance and advisory services. He is a Chartered Accountant and a Chartered Tax Advisor.

Karen Sands

Finance Director

Karen is Hermes GPE's Finance Director with overall responsibility for the financial oversight of corporate and fund finance, the financial control environment, systems and operations. She joined Hermes Private Equity in 2004. Karen previously worked in finance at Matrix Property Management and began her career at Equity Asset Management. She is a Member of the Chartered Institute of Management Accountants and a Chartered Member of the Chartered Institute for Securities and Investment. She is a Member of the Hermes GPE Management Committee and the Hermes Pensions Governance Group. Karen is a Member of Invest Europe Working Group on Accounting Standards, Valuation and Reporting, Invest Europe's Professional Standards Committee and the BVCA Legal & Accounting Committee.

Corporate responsibility

Hermes GPE has a strong commitment to responsible investment to improve investment performance and is both a signatory to and active participant in the United Nations supported Principles for Responsible Investment. For the last three years both the private equity and infrastructure businesses have received A+/A gradings in the firm's PRI Assessment Reports in relation to both investment approach and strategy and governance. Additionally, Hermes Infrastructure Fund I was ranked third out of 17 Diversified European Infrastructure Funds participating in the 2018 GRESB Infrastructure assessment. GRESB Infrastructure is an infrastructure-specific ESG and sustainability benchmark.

Results for the year

The results for the Group for the year are set out on page 13. The policy on Members' drawings, contributions and repayments of capital is set out in Note 1 of the Notes to the financial statements.

Auditor


Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Disclosure of information to auditor

Each of the persons who are Members at the time when this Members' report is approved has confirmed that:

- ▶ so far as the Members' are aware, there is no relevant audit information of which the LLP's auditor is unaware; and
- ▶ the Members' have taken all the steps that they ought to have taken as Members to make themselves aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

Approved by the Members and signed on their behalf:



Peter Gale

GPE Partner Limited (Designated Member)
1 March 2019

Limited Liability Partnership Registration No. OC348770

Statement of Members' responsibilities

The Members are responsible for preparing the Members' 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 require 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under Regulation 8 of 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 its profit or loss 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 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;
- ▶ assess the group and LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- ▶ use the going concern basis of accounting unless they either intend to liquidate the group or the LLP or to cease operations, or have no realistic alternative but to do so.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, 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 its financial statements comply with those regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Hermes GPE LLP

Opinion

We have audited the group and LLP financial statements of Hermes GPE LLP ("the LLP") for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Partnership Statement of Financial Position, Reconciliation of Members Interests; Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the group and of the LLP as at 31 December 2018 and of the profit of the group for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in 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 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the members, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the entity's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the entity's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity and this is particularly the case in relation to Brexit.

Going concern

The members have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the LLP or to cease their operations, and as they have concluded that the group and the LLP's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the members' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and LLP's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the LLP will continue in operation.

Other information

The members are responsible for the other information, which comprises the Members' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the LLP, or returns adequate for our audit have not been received from branches not visited by us; or
- the LLP's individual 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

We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 10, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they either intend to liquidate the group or the LLP or to cease operations, or have no realistic alternative but to do so.

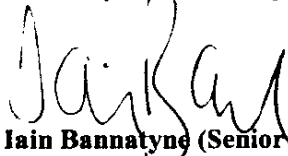
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Iain Bannatyne (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London, E14 5GL

1 March 2019

Consolidated statement of comprehensive income

For the year ended 31 December	Notes	2018 £000	2017 £000
Turnover	1(m)	25,830	23,339
Administrative expenses	1(o)	(23,014)	(18,414)
Operating profit	4	2,816	4,925
Unrealised gain	7	87	36
Other interest receivable and similar income		27	10
Realised foreign exchange gains / (losses)	1(e)	31	(51)
Profit on ordinary activities before taxation		2,961	4,920
Tax on profit on ordinary activities	1(k),5	(76)	(35)
Profit for the financial year available for discretionary division among Members		2,885	4,885
For the year ended 31 December	Notes	2018 £000	2017 £000
Profit for the financial year available for discretionary division among Members		2,885	4,885
Exchange differences on retranslation of overseas operations	1(e)	(66)	(75)
Extraordinary Member Capital Contribution	1 (f)	274	-
Total comprehensive income for the financial year		3,093	4,810

All activities derive from continuing operations.

The accompanying Notes on pages 18 to 27 form an integral part of these financial statements.

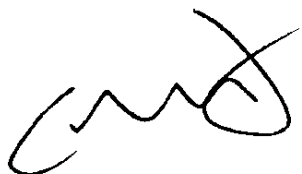
Consolidated statement of financial position

As at 31 December	Notes	2018 £000	2017 £000
Fixed assets			
Investments	7	1,059	470
		1,059	470
Current assets			
Debtors falling due within one year	8,1(g)	5,218	3,330
Cash at bank	1(i)	12,261	12,670
		17,479	16,000
Current liabilities			
Creditors falling due within one year	9,1(h)	(10,177)	(7,553)
Net current assets		7,302	8,447
Creditors falling due after more than one year	10,1(h)	(1,200)	(363)
Net assets attributable to Members		7,161	8,554
Represented by:			
Members' capital classified as equity		4,000	4,000
Other reserves classified as equity		3,161	4,554
Total interests attributable to Members		7,161	8,554

The accompanying Notes on pages 18 to 27 form an integral part of these financial statements

These financial statements were approved by the Members and authorised for issue on 1 March 2019.

Signed on behalf of the Members:



Chris Taylor

Hermes Fund Managers Limited (Designated Member)

Limited Liability Partnership Registration No. OC348770

Partnership statement of financial position

As at 31 December	Notes	2018 £000	2017 £000
Fixed assets			
Investments in subsidiaries	7	150	150
		150	150
Current assets			
Debtors falling due within one year	8, 1(g)	6,256	3,525
Cash at bank	1(i)	10,945	11,897
		17,201	15,422
Current liabilities			
Creditors falling due within one year	9, 1(h)	(9,961)	(7,352)
Net current assets		7,240	8,070
Creditors falling due after more than one year	10, 1(h)	(1,175)	(313)
Net assets attributable to Members		6,215	7,907
Represented by:			
Members' capital classified as equity		4,000	4,000
Other reserves classified as equity		2,215	3,907
Total Members' interests attributable to Members		6,215	7,907

The accompanying Notes on pages 18 to 27 form an integral part of these financial statements

These financial statements were approved by the Members and authorised for issue on 1 March 2019.

Signed on behalf of the Members:



Chris Taylor

Hermes Fund Managers Limited (Designated Member)

Limited Liability Partnership Registration No OC348770

Reconciliation of Members' interests

Consolidated Members' interests

Consolidated Members' interests For the year ended 31 December 2018	Members' capital £000	Other reserves £000	Loan and other debts due to Members less any amounts due from Members £000	Total 2018 £000
Members' interest as at 1 January 2018	4,000	4,554	-	8,554
Profit available for discretionary division among Members	-	2,885	-	2,885
Members' interest after profit for the year	4,000	7,439	-	11,439
Exchange differences on retranslation of overseas operations	-	(66)	-	(66)
Extraordinary Member Capital Contribution	-	274	-	274
Profit allocations made during the year	-	(4,486)	4,486	-
Members' drawings	-	-	(4,486)	(4,486)
Members' interests as at 31 December 2018	4,000	3,161	-	7,161

Profit available for discretionary division among Members is inclusive of reserves attributable to prior years' earnings of subsidiary undertakings, and so any Members' drawings are contingent on compliance with any conditions or constraints that maybe present at the subsidiary level.

Consolidated Members' interests For the year ended 31 December 2017	Members' capital £000	Other reserves £000	Loan and other debts due to Members less any amounts due from Members £000	Total 2017 £000
Members' interest as at 1 January 2017	3,000	1,332	-	4,332
Profit available for discretionary division among Members	-	4,810	-	4,810
Members' interest after profit for the year	3,000	6,142	-	9,142
Profit allocations made during the year	-	(1,588)	1,588	-
Members capital contribution	1,000	-	-	1,000
Members' drawings	-	-	(1,588)	(1,588)
Members' interests as at 31 December 2017	4,000	4,554	-	8,554

Profit available for discretionary division among Members is inclusive of reserves attributable to prior years' earnings of subsidiary undertakings, and so any Members' drawings are contingent on compliance with any conditions or constraints that maybe present at the subsidiary level.

In addition to the amounts presented above, for the year ended 2018 an amount of £2,215k (2017: £9,908k) was paid from the LLP and its subsidiaries to the Members relating to carried interest. In accordance with the LLPA dated 24 December 2009 and as documented in Note 1(p) and 6 to these financial statements, these amounts do not form part of the profits or Members interests of the LLP.

Partnership Members' interests

Partnership Members' interests	Members' capital	Other reserves	Loan and other debts due to Members less any amounts due from Members	Total 2018
For the year ended 31 December 2018	£000	£000	£000	£000
Members' interest as at 1 January 2018	4,000	3,907	-	7,907
Profit available for discretionary division among Members	-	2,520	-	2,520
Members' interest after profit for the year	4,000	6,427	-	10,427
Extraordinary Member Capital Contribution	-	274	-	274
Profit allocations made during the year	-	(4,486)	4,486	-
Members' drawings	-	-	(4,486)	(4,486)
Members' interests as at 31 December 2018	4,000	2,215	-	6,215

Partnership Members' interests	Members' capital	Other reserves	Loan and other debts due to Members less any amounts due from Members	Total 2017
For the year ended 31 December 2017	£000	£000	£000	£000
Members' interest as at 1 January 2017	3,000	893	-	3,893
Profit available for discretionary division among Members	-	4,602	-	4,602
Members' interest after profit for the year	3,000	5,495	-	8,495
Profit allocations made during the year	-	(1,588)	1,588	-
Members capital contribution	1,000	-	-	1,000
Members' drawings	-	-	(1,588)	(1,588)
Members' interests as at 31 December 2017	4,000	3,907	-	7,907

Profit available for discretionary division among Members is inclusive of reserves attributable to prior years' earnings of subsidiary undertakings, and so any Members' drawings are contingent on compliance with any conditions or constraints that maybe present at the subsidiary level.

In addition to the amounts presented above, for the year ended 2018 an amount of £2,205k (2017 £9,567k) was paid from the LLP to the Members relating to carried interest. In accordance with the LLPA dated 24 December 2009 and as documented in Note 1(p) and Note 6 to these financial statements, these amounts do not form part of the profits or Members interests of the LLP

Consolidated statement of cash flows

	Notes	2018 £000	2017 £000
For the year ended 31 December			
Cash flows from operating activities			
Operating profit		2,816	4,925
(Decrease) in debtors		(1,889)	(66)
Increase in creditors		3,461	1,030
Realised foreign exchange gains / (losses)		31	(51)
Foreign exchange differences on retranslation of overseas operations		(66)	(75)
Taxation		(76)	(35)
Net cash generated from operating activities		4,277	5,728
Cash flows from investing activities			
Acquisition of investments		(501)	(327)
Interest received		27	10
Net cash used in investing activities		(474)	(317)
Cash flows from financing activities			
Members' drawings		(4,486)	(1,588)
Capital contributions		-	1,000
Extraordinary Member Capital Contribution	1(f)	274	-
Net cash used in financing activities		(4,212)	(588)
(Decrease) / Increase in cash and cash equivalents		(409)	4,823
Cash and cash equivalents at start of year		12,670	7,847
Cash and cash equivalents at end of year		12,261	12,670

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies

The consolidated financial statements are prepared in accordance with applicable United Kingdom law and accounting standards and requirements of the *Statement of Recommended Practice, Accounting by Limited Liability Partnerships (SORP)* issued in January 2017, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. A summary of the principal accounting policies adopted is provided below. They have been applied consistently throughout the current and preceding year. The functional currency of the LLP is considered to be pounds sterling because that is the currency of the primary economic environment in which the LLP operates. The consolidated financial statements are also presented in pounds sterling rounded to the nearest thousand

(a) Accounting convention

The financial statements are prepared under the historical cost convention

(b) Basis of consolidation

The Group financial statements consolidate the financial statements of the LLP and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the years from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Group undertakings manage a number of private equity and infrastructure limited partnerships as the general partner. The attributable proportions of the assets and income of the limited partnerships held by the general partners through their equity participation in the underlying funds is inconsequential and is consolidated. These partnerships are subsidiary undertakings as a result of control exercised by their general partners and under the terms of the Companies Act 2006 should be consolidated in full. However, the Members consider the financial statements would not give a true and fair view if the assets and income of the Group if the limited partnerships as a whole were to be consolidated since the Group's interest in these assets is merely that of an investment managers. The effect of this departure is to reduce fixed asset investments by £4,830m (2017: £4,348m) and reduce profit by £300m (2017: £521m). In addition, group undertakings also hold a small non-controlling interest in certain of these limited partnerships as co-investments and these investments are held at fair value.

(c) Critical accounting judgements and key sources of estimation uncertainty

Due to the nature of the LLP's business and having considered the key sources of income and expenditure, statement of financial position items and the Group's accounting policies, the Members do not believe there are any critical accounting judgments or key sources of estimation uncertainty.

(d) Going concern

As highlighted in the turnover accounting policy Note below, the LLP meets its working capital requirements through receipt of investment management and advisory fees.

The Members have reviewed the cash flow and projected income and expenses and deemed that Hermes GPE has adequate financial resources to meet its obligations. On this basis it is therefore appropriate that the LLP be deemed a going concern and accordingly the financial statements have been prepared on this basis

(e) Foreign currency

Transactions denominated in foreign currencies are translated into pounds sterling at the rate ruling at the dates of the transactions. Monetary assets and liabilities denoted in foreign currencies are translated at the rate of

exchange ruling at the balance sheet date. All such differences are then taken to the consolidated statement of comprehensive income.

Consolidated subsidiaries of Hermes GPE LLP whose operations are not denominated in pounds sterling have been retranslated at balance sheet date. All differences are taken to the consolidated statement of other comprehensive income.

(f) Extraordinary Member Capital Contribution

As a gesture of goodwill, Hermes Fund Managers Limited ("HFML") made a one-off discretionary award payment to certain employees of the Group following the successful acquisition by Federated Investors, Inc. of a majority shareholder interest in HFML. A payment was made from HFML to the Group, and subsequently, the Group itself made payments to the relevant employees. The HFML payment was an amount equal to the aggregate employee payments and all associated employer costs and applicable taxes. The HFML payment is a 'capital contribution' from HFML as an Institutional Member of the LLP and has been recognised as a gain in the statement of comprehensive income.

(g) Debtors

Short term debtors are measured at transaction price including transaction costs, less any impairment.

(h) Creditors

Short term creditors are measured at the transaction price, including transaction costs.

(i) Cash at bank and in hand

Cash at bank and in hand on the statement of financial position comprise cash at bank and in hand and short term deposits.

(j) Investments

In the consolidated and partnership's statements of financial position, investments; including investments in subsidiaries, are measured at cost less impairment. In the Group financial statements investments in associates are accounted for using the equity method. Investments in associates are initially recognised at the transaction price (including transaction costs). Subsequent fair value movements are recognised in the statement of comprehensive income.

(k) Taxation

Tax to be paid on the profits arising in the LLP are exclusively the liability of the Members of the LLP and are therefore not included as a tax charge or provision in the financial statements.

In respect of the statutory subsidiaries, current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

(l) Members drawings, contributions and repayments of capital

The Members may draw a proportion of their profit share in instalments during the year in which the profit is made. After assessing the business needs and the cash requirements of the LLP, the Executive Committee may approve the drawing of the balance of profit for all Members. If approved, this drawing will be made no later than 10 business days from the date of these financial statements.

In accordance with the terms of the LLP agreement, no Member shall be entitled at any time to withdraw or shall be repaid their capital contribution unless: a new or existing Member contributes an amount in aggregate which shall ensure that the partnership can satisfy the relevant FCA minimum regulatory capital requirement; the LLP is wound up or placed into liquidation; or the LLP ceases to be authorised by the FCA.

Debts due to Members rank *pari passu* with other creditors who are unsecured in the event of a winding up of the LLP.

(m) Turnover

Turnover comprises predominantly investment management and advisory fees which are included in the consolidated statement of comprehensive income and are shown exclusive of value added tax. The turnover and profit for the financial year is attributable to investment management and advisory services. Income is accrued on a monthly basis based on a percentage fee applied to either; the value of assets under advisory or management, the cost of the underlying investments managed, or the investor commitments made to the particular HGPE managed Funds, depending on the governing legal agreements.

(n) Pension costs

The Group makes monthly contributions to a defined contribution scheme and has no commitment beyond the payment of these contributions. These costs are charged to the consolidated statement of comprehensive income in the month to which they relate.

(o) Administration expenses

Included within administration expenses is an amount relating to the LLP's operating companies based in the USA and Singapore, which represents a fee equivalent to that of an arm's length relationship. These expenses eliminate on consolidation.

(p) Carried interest

Certain subsidiaries of the LLP receive amounts pertaining to carried interest generated within the Hermes GPE managed funds. In accordance with Hermes GPE's LLP Limited Liability Partnership Agreement ("LLPA") these amounts are distributed to the members of Hermes GPE either via the LLP or its subsidiaries. As per clauses 11.2 and 16.3 of the LLPA, any carried interest received and paid onwards by the LLP is for the benefit of the members of the LLP and as such should not form part of the profits of the LLP. Accordingly, the receipt and distribution of carried interest received and distributed by the LLP is not reflected within the consolidated primary statements but the quantum within the footnote to the Reconciliation of Members Interests on page 16.

2. Information regarding Members

Further information regarding Members of the LLP is as follows:

	2018 No.	2017 No.
The number of Members at the year end:	3	3
	£000	£000
The amount of profit attributable to the Member with the largest economic entitlement was:	3,367	3,728

In addition to the above, the same Member received £2,164k (2017: £9,741) in carried interest.

3. Information regarding employees

	2018 No.	2017 No.
The average number of employees for the year ended was:		
Investment	36	32
Operations	19	19
Total	55	51
Employment costs for the year ended:	£000	£000
Salaries	6,132	5,350
National insurance contributions	656	566
Pension contributions	496	383
Accrued bonus payments	6,940	4,945
National insurance contributions on accrued bonus payments	773	549
	14,997	11,793

4. Operating profit

	2018 £000	2017 £000
Operating profit is stated after charging:		
Auditor's remuneration		
Fees payable to the LLP's auditor for the audit of the LLP's current financial statements	16	13
The audit of the LLP's subsidiaries	135	107
Total audit fees	151	120
Other services	245	176
Total non-audit fees	245	176
Total fees to auditor	396	296

5. Taxation

	2018 £000	2017 £000
Analysis of charge in the period:		
Corporation Tax		
UK current tax on income	-	-
Overseas current tax on income	76	35
Adjustments in respect of prior periods	-	-
Total current tax	76	35
Deferred tax	-	-
Tax charge on profit	76	35

Overseas current tax on income relates to tax expenses incurred by Hermes GPE (Singapore) Pte. Ltd and Hermes GPE (USA) Inc. The Income tax expense for USA has been calculated by applying the marginal U.S. federal income tax rate of 21% (2017: 39% for income in excess of \$100k plus \$22.3k in relation to amounts less than \$100k), as well as state and city taxes at rates of 6%-9% (2017: 6%- 9%). The tax charge for Singapore is 17% (2017: 17%) on profit before tax.

6. Carried Interest

As documented in Note 1 (p) to these financial statements, certain subsidiaries of the LLP receive amounts pertaining to carried interest generated within the Hermes GPE managed funds. The following amounts were paid from the LLP and its subsidiaries to the Members relating to carried interest. In accordance with the LLPA and as documented in Note 1(p) to these financial statements, these amounts do not form part of the profits or Members interests of the LLP.

	2018 £000	2017 £000
Total	2,215	9,908

The Member with the largest economic entitlement received £2,164k (2017: £9,741) of carried interest during the year.

If the investments held by the funds managed by the LLP were to be realised at their fair values as at 31 December, being calculated on a client basis in accordance with the underlying fund Limited Partnership Agreements, the carried interest generated for the benefit of the Designated Members of the LLP would be as follows:

	2018 £000	2017 £000
Total⁽¹⁾	20,479	22,169

⁽¹⁾ Of the above, £1,459k (2017: £nil) relates to the movement in fair value of additional investment returns of underlying investments held by co-investment funds managed by the LLP.

7. Investments

	Partnership		Consolidated	
	2018 £000	2017 £000	2018 £000	2017 £000
Investments in associates and other investments	-	-	1,059	470
Investments in subsidiaries	150	150	-	-
Total	150	150	1,059	470

	Consolidated	
	2018 £'000	2017 £'000
Investments in associates and other investments		
Cost, 1 January	434	102
Additions	502	332
Cost, 31 December	936	434
Unrealised, 1 January	36	-
Movements in the year	87	36
Unrealised, 31 December	123	36
Total Fair Value	1,059	470

Group investments

The Partnership and the Group have investments in the following subsidiaries and other investments which principally affected the profits or net assets of the Group.

The Group has investments in associates and other investments of £1,059 (2017: £470k). These investments relate to capital contributed by certain subsidiaries of the LLP indirectly into funds managed by the LLP. These investments contain a co-investment component. The Group recognises the co-investment component at fair value with changes to fair value recognised in profit or loss.

The Partnership statement of financial position includes Investments in subsidiaries of £150k. The LLP is a Member of HGPE Infrastructure Consulting LLP, for which it acts as Designated and Managing Member and has 77% of the voting rights. The LLP has not consolidated this subsidiary based on restrictions per section 9.9 (a) of FRS 102. As such, this subsidiary has been accounted for as a joint venture per section 15 of FRS 102 in the consolidated financial statements. During the year, the LLP's share of profits was £nil (2017: £nil) and as at 31 December 2018, the LLP's share of net assets was £1k (2017: £1k). The balances between the General Partner subsidiaries and Hermes GPE are predominantly share capital, which eliminate on consolidation.

The Group statement of financial position includes other investments of £6k (2017: £6k). Other investments include participations in the carried interest of a number of Hermes GPE managed funds

As at 31 December 2018	Principal activity	%	Carrying value £	Country of Incorporation	Registered number
Investments in subsidiaries:					
Britel Guernsey Investments Ltd	General Partner	100	2	Guernsey	44239
EMPEF GP Limited	General Partner	100	20,000	Guernsey	54418
General Partner No. 1 Limited [†]	General Partner	100	1	United Kingdom	SC251895
General Partner No. 2 Limited [†]	General Partner	100	1	United Kingdom	SC251899
GPE III GP Limited [†]	General Partner	100	1	United Kingdom	SC288717
GPE III IP Limited [†]	General Partner	100	1	United Kingdom	SC288718
Hermes GP Limited [†]	General Partner	100	2	United Kingdom	9348278
Hermes GPE 2011-2013 GP Ltd [†]	General Partner	100	1	United Kingdom	SC392261
Hermes GPE Founder Partner Ltd [†]	General Partner	100	1	United Kingdom	07506653
Hermes GPE Founder Partner 2 Limited [†]	General Partner	100	1	United Kingdom	08783482
Hermes GPE Infrastructure Founder Partner Limited [†]	General Partner	100	2	United Kingdom	08783481
Hermes GPE Infrastructure Founder Partner 2 Limited [†]	General Partner	100	2	United Kingdom	08783482
HGPE Infrastructure Consulting LLP	Managing Member	77	1,000	United Kingdom	OC378548
HIL GP Ltd	General Partner	100	1	Guernsey	57659
HPE Environmental Innovation GP Limited [†]	General Partner	100	1	United Kingdom	SC371182
HPE GP Limited [†]	General Partner	100	1	United Kingdom	06636681
HPE Scotland GP Limited [†]	General Partner	100	100	United Kingdom	SC313153
HIL Single Asset GP Ltd	General Partner	100	1	Guernsey	60888
HPE General Partner LLP	General Partner	100	100	United Kingdom	OC397052
HGPE 2011-2013 GP LLP	General Partner	100	100	United Kingdom	OC397053
HPE Environmental Innovation General Partner LLP	General Partner	100	100	United Kingdom	OC397056
GPE III General Partner LLP	General Partner	100	100	United Kingdom	OC397055
HGPE Infrastructure GP LLP	General Partner	100	100	United Kingdom	OC367704
General Partner No. 1-6 GP LLP	General Partner	100	100	United Kingdom	OC397058
Hermes GPE Global Secondary GP LLP	General Partner	100	100	United Kingdom	OC379454
Hermes GPE Direct Co-invest IV GP LLP	General Partner	100	100	United Kingdom	OC381180
Hermes GPE PEC II GP LLP	General Partner	100	100	United Kingdom	OC391824
Hermes GPE Horizon GP LLP	General Partner	100	100	United Kingdom	OC397860
Hermes GPE Horizon Founder Partner GP LLP	General Partner	100	100	United Kingdom	OC399522
Hermes GPE (USA) Inc	Investment Research	100	7	United States of America	5012404
Hermes GPE (Singapore) Pte Ltd.	Investment Research	100	128,550	Singapore	201133706W
Hermes UOB SLP General Partner Ltd [†]	General Partner	60	1	United Kingdom	SC211181
Hermes GPE Direct Co-invest V GP LLP	General Partner	100	100	United Kingdom	OC415875
Hermes GPE Ohio Sidecar GP LLP	General Partner	100	-	United Kingdom	OC418918
Hermes Infrastructure (Spring I) GP Ltd	General Partner	100	1	Guernsey	62010
Hermes Infrastructure (Spring II) GP Ltd	General Partner	100	1	Guernsey	62011
Hermes Infrastructure (Spring III) GP LLP	General Partner	100	-	United Kingdom	OC411767
Hermes Infrastructure Spring FP GP Ltd [†]	General Partner	100	1	United Kingdom	62009

As at 31 December 2018	Principal activity	%	Carrying value £	Country of incorporation	Registered number
Hermes Infrastructure II GP LLP	General Partner	100	100	United Kingdom	OC404106
Hermes GSF II GP Ltd	General Partner	100	1	Guernsey	64421
Hermes Infrastructure (QG1) GP Ltd	General Partner	100	1	Guernsey	63225
Hermes GPE PEC III GP LLP	General Partner	100	-	United Kingdom	OC402891
Hermes GPE PEC IV GP LLP*	General Partner	100	-	United Kingdom	OC422409
Total			150,982		

* Incorporated/registered during the year to 31 December 2018

† Certain subsidiaries are exempt from the requirements of the Companies Act 2006 ("the Act") relating to the audit of its individual accounts by virtue of s479A of the Act. Audit exemption for these entities has been obtained via a statement from the LLP that it guarantees the subsidiaries under s479C of the Act

8. Debtors falling due within one year

	Partnership		Consolidated	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade debtors	1,767	731	1,008	405
Accrued income	4,263	2,603	3,972	2,722
Prepayments	226	191	238	203
Total	6,256	3,525	5,218	3,330

9. Creditors falling due within one year

	Partnership		Consolidated	
	2018 £000	2017 £000	2018 £000	2017 £000
Amounts due to subsidiary undertakings	1,096	988	-	-
Taxes and national insurance	78	353	60	353
Other creditors	1,214	735	1,247	852
Accrued expenses	7,573	5,276	8,870	6,348
Total	9,961	7,352	10,177	7,553

10. Creditors falling due after more than one year

As at 31 December 2018, a long term liability of £1,200k (2017: £363k) is included at the Group level as payable after more than one year. At the LLP level this amount is £1,175k (2017: £313k). This relates to expenses payable on 31 January 2020 and 31 January 2022.

11. Statement of comprehensive income

The profit for the financial year dealt with in the financial statements of the parent, Hermes GPE LLP, was £2,794k (2017: £4,602k). As permitted by Section 408 of the Companies Act 2006 (as applied by the limited liability partnership (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008), no separate statement of comprehensive income is presented in respect of the parent.

12. Related party transactions

The LLP has taken advantage of the exemption in paragraph 33 1A of FRS 102 not to disclose transactions with wholly owned Group companies wherein any subsidiary undertaking which is a party to the transactions is wholly

owned by a Member of that Group. During the year the LLP paid £1,800k (2017: £1,750k) in services costs to Hermes Fund Managers Limited, a Member of the LLP. During the year, Members made drawings from the LLP amounting to £4,486k (2017: £1,588k) which is shown in the 'Reconciliation of Members' interests on page 16 of the financial statements. During the year, carried interest of £2,215k (2017: £9,908k) was paid to Members of the LLP. Total compensation paid to key management personnel was £6,235k (2017: £5,256k). In addition to this, an amount of £3,212k (2017: £6,300k) was distributed to the key management personnel during the year by funds advised by the LLP.

13. Mitigation of risks

The Members take appropriate steps to minimise the impact of operational risks faced by the Group through its internal control policies and procedures. The Executive Committee oversees the Group's risks and ensures that processes to identify, measure and monitor risks are implemented. Hermes GPE has adopted a Risk Management Framework Policy which addresses all principal risk areas for the business and the mitigations which the LLP has in place.

14. Controlling party

Hermes GPE LLP is an independent entity. All Members hold non-controlling voting rights as at the reporting date and therefore no Member is considered to have control. Hermes GPE LLP is the parent of the Group and copies of its consolidated report and financial statements are available from Sixth Floor, 150 Cheapside, London EC2V 6ET, United Kingdom.

15. Commitments and contingencies

On 21 October 2015, Hermes GPE (USA) Inc, a subsidiary of the Partnership, entered into a five year License Agreement (commencement date is 7 December 2015) and Lease Agreement (commencement date is 1 March 2016) with 55 Fifth Equities Group L.P. for office space and equipment. The total amount of the rent is expensed on a straight-line basis over the term of the license and lease.

On 21 October 2015, the Partnership entered into a Limited Guaranty of Lease with 55 Fifth Equities Group L.P. ('the Landlord') where the Partnership guarantees to the Landlord, the Landlord's successors and assigns, the full payment of all Base Rent, Additional Rent, and all other amounts due and owing under the Lease Agreement between the Landlord and Hermes GPE (USA) Inc, as outlined above.

On 29 March 2016, another subsidiary of the Partnership, Hermes GPE (Singapore) Pte. Ltd, entered into a three year Tenancy agreement (commencement date is 18 April 2016) with OCBC Square Private Limited. This is for office space and service charges. The total amount of the rent is expensed on a straight-line basis over the term of the tenancy agreement.

As at 31 December 2018, Hermes GPE (USA) Inc's and Hermes GPE (Singapore) Pte. Ltd's contractual obligations to 55 Fifth Equities Group L.P and OCBC Square Private Limited, respectively, are presented below.

	2018 £000	2017 £000
Within one year	186	279
Between one and five years	148	315
Total	334	594

As described in Note (p) carried interest, certain subsidiaries of the LLP have co-investment commitments to underlying funds managed by the LLP. The table below summarises these commitments, and amounts undrawn as at 31 December:

	2018 £000	2017 £000
Commitment	1,816	834
Reduction in commitment	(122)	-
Drawn down	(960)	(292)
Unfunded Commitment	734	542

16. Events after the reporting period

Events after the reporting period have been evaluated up to the date the financial statements were approved and authorised for issue and there are no material events to be disclosed or adjusted for in these financial statements.