

REGISTERED NUMBER: OC327862

SOMERSET CAPITAL MANAGEMENT LLP

REPORT AND FINANCIAL STATEMENTS

◆ Year ended 31 March 2022 ◆



SOMERSET CAPITAL MANAGEMENT LLP

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SOMERSET CAPITAL MANAGEMENT LLP

REPORT OF THE MEMBERS

The members present their annual report and the audited financial statements for the year ended 31 March 2022.

Principal Activity

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

Business Review and Future Developments

At 31 March 2022, the LLP provided investment management services to three Delaware limited liability companies incorporated in the United States of America, five authorised UK OEIC funds incorporated in England & Wales, three authorised UK Unit Trusts, one Irish Collective Asset-management Vehicles, one Cayman Islands exempted company and six managed accounts.

The profit for the year, as shown in the income statement on page 9, was reduced primarily because of lower management fees in the period while administration expenses remained broadly the same. The lower management fees were caused by a fall in the assets under management during the period.

During the forthcoming year the members expect the profitability of the LLP to decrease further as a result of weaker markets and some client flows leading to a reduction in assets under management and associated fee levels. However, the members believe the LLP is well positioned to benefit from any recovery in emerging markets.

Members and Drawings

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

Dominic Johnson
Edward Robertson

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

Policies for members' profits, drawings, bonuses, and transfers from equity to debt, subscriptions and repayment of members' capital are governed by the Limited Liability Partnership Agreement (the "Agreement") dated 28 April 2017. In summary, the Executive Committee determines the capital contribution to be made by each member which shall be repayable only on winding-up or except as specifically provided in the Agreement. The Executive Committee has discretion to determine the level of each member's drawings and each member is allowed to withdraw amounts standing to the credit of their Distribution Account. Where the cash requirements of the business conflict with the need for members' drawings, the cash requirements of the business take priority and members' drawings are deferred.

Key Performance Indicator

The level of revenues that the LLP earns is its key performance indicator. For the year ending 31 March 2022 revenues decreased by 15.02% (2021: 18.69%) relative to the prior year.

SOMERSET CAPITAL MANAGEMENT LLP

REPORT OF THE MEMBERS - continued

Principal Risks and Uncertainties

The LLP provides investment management services to several funds and managed accounts, specialising in emerging markets. The principal risk that the LLP faces is loss of reputation resulting from poor investment decisions. Other risks include credit risk arising from trade debtors and cash held with banks and liquidity risk that cash is insufficient for the LLP to meet its obligations associated with financial liabilities. The LLP formally reviews all risks and establishes appropriate procedures and controls to monitor and mitigate them and limit the adverse effects on the financial performance of the LLP. In particular, the LLP assesses the credit quality of its counterparties by taking into account their financial position, past experience, any independent credit ratings and other factors.

MIFIDPRU 8 Disclosures

The LLP has documented the disclosures required by the FCA under MIFIDPRU 8. Details can be found on the LLP's website <http://somersectcm.com>.

Disclosure of Information to Auditors

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

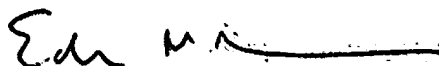
Auditors

SRG (AUDIT) LLP was appointed on the 12 April 2022 following the transfer of the audit registration licence from SRG LLP to SRG (AUDIT) LLP. SRG (AUDIT) LLP have expressed their willingness to remain in office as auditors of the LLP.

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



Dominic Johnson
Designated Member



Edward Robertson
Designated Member

30 June 2022

STATEMENT OF MEMBERS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

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

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

SOMERSET CAPITAL MANAGEMENT LLP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOMERSET CAPITAL MANAGEMENT LLP

Opinion

We have audited the financial statements of Somerset Capital Management LLP ('the limited liability partnership') for the year ended 31 March 2022 which comprise Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 the Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

SOMERSET CAPITAL MANAGEMENT LLP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOMERSET CAPITAL MANAGEMENT LLP (Continued)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to Limited Liability Partnerships requires us to report to you if, in our opinion:

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

Responsibilities of members

As explained more fully in the members' responsibilities statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the limited liability 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 limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. The extent to which the audit was considered capable of detecting irregularities including fraud.

SOMERSET CAPITAL MANAGEMENT LLP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOMERSET CAPITAL MANAGEMENT LLP (Continued)

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team-collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the limited liability partnership through discussions with members and other management, and from our commercial knowledge;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the limited liability partnership, including the Companies Act 2006, taxation legislation, data protection, anti-bribery, environmental and health and safety legislation;
- by understanding the control environment, including the procedures for complying with regulatory requirements;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal and regulatory correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the limited liability partnership's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of members and management as to actual and potential litigation and claims;
- discussing with members, compliance and other management, the policies and procedures regarding compliance with laws and regulations;
- reviewing correspondence with relevant regulators including the Financial Conduct Authority; and
- enquiring in detail, on all communication with regulators throughout the period to date.

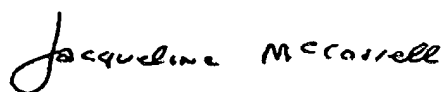
A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

SOMERSET CAPITAL MANAGEMENT LLP

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOMERSET CAPITAL MANAGEMENT LLP (Continued)

Use of our report

This report is made solely to the limited liability partnership's 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 limited liability partnership'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 to 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.



**Jacqueline McCarrell (Senior Statutory Auditor)
for and on behalf of SRG (AUDIT) LLP**

30 June 2022

**Chartered Accountants
Statutory Auditor**

**10 Bolt Court,
London
EC4A 3DA**

SOMERSET CAPITAL MANAGEMENT LLP

INCOME STATEMENT for the year ended 31 March 2022

	Note	Year ended 31 March 2022 £	Year ended 31 March 2021 £
Turnover	1c	23,521,647	27,680,159
Administration expenses		<u>(14,380,517)</u>	<u>(14,214,573)</u>
Operating profit	2	9,141,130	13,465,586
Interest receivable and similar income		311	1,912
Dividends receivable		-	-
(Loss)/gain on investments		<u>(7,714)</u>	<u>13,530</u>
Profit for the year before members' remuneration and profit shares		9,133,727	13,481,028
Members' remuneration charged as an expense		<u>(2,646,368)</u>	<u>(3,802,818)</u>
Profit for the year available for discretionary division among members		<u>6,487,359</u>	<u>9,678,210</u>

STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 March 2022 £	Year ended 31 March 2021 £
Profit for the financial year before members' remuneration and profit shares available for discretionary division among members	6,487,359	9,678,210
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>6,487,359</u>	<u>9,678,210</u>

All activities related to continuing operations.

The notes on pages 13 to 20 form part of these financial statements.

SOMERSET CAPITAL MANAGEMENT LLP

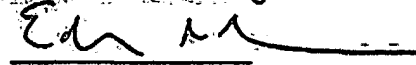
BALANCE SHEET

as at 31 March 2022

	Note	31 March 2022 £	31 March 2021 £
Fixed Assets			
Intangible	5	778,119	496,224
Current assets			
Investments	6	39,091	46,805
Debtors	7	7,044,692	10,667,268
Cash at bank and in hand		<u>4,020,647</u>	<u>4,080,556</u>
		11,104,430	14,794,629
Current liabilities			
Creditors: amounts falling due within one year	8	<u>(317,650)</u>	<u>(1,027,150)</u>
Net current assets		<u>10,786,780</u>	<u>13,767,479</u>
Total assets less current liabilities		<u>11,564,899</u>	<u>14,263,703</u>
Provision for Liabilities	8	<u>(608,252)</u>	<u>(246,224)</u>
Net assets attributable to members		<u>10,956,647</u>	<u>14,017,479</u>
Represented by:			
Loans and other debts due to members within one year	10	2,065,286	2,191,182
Members' other interests classified as equity			
Members' capital	10	2,404,002	2,148,087
Other reserves	10	<u>6,487,359</u>	<u>9,678,210</u>
		8,891,361	11,826,297
		<u>10,956,647</u>	<u>14,017,479</u>
Total members' interests:			
Members' other interests	10	8,891,361	11,826,297
Loans and other debts due from members	10	<u>(4,088,692)</u>	<u>(6,144,890)</u>
Loans and other debts due to members	10	<u>2,065,286</u>	<u>2,191,182</u>
		<u>6,867,955</u>	<u>7,872,589</u>

The financial statements were approved on 30 June 2022 and signed on behalf of the members by:


Dominic Johnson
Designated Member


Edward Robertson
Designated Member

Somerset Capital Management LLP
Company No: OC327862

The notes on pages 13 to 20 form part of these financial statements.

SOMERSET CAPITAL MANAGEMENT LLP

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2022

	Members' capital (classified as equity) £	Other reserves £	Total £
Members' interests at 1 April 2020	2,148,087	14,948,831	17,096,918
Profit for the year available for discretionary division among members	-	13,481,028	13,481,028
Members' interests after profit for the year	2,148,087	28,429,859	30,577,946
Introduced by members	-	-	-
Allocation of profit	-	(18,751,649)	(18,751,649)
Members' interests at 31 March 2021	2,148,087	9,678,210	11,826,297
Members' interests at 1 April 2021	2,148,087	9,678,210	11,826,297
Profit for the year available for discretionary division among members	-	9,133,727	9,133,727
Members' interests after profit for the year	2,148,087	18,811,937	20,960,024
Introduced by members	255,915	-	255,915
Allocation of profit	-	(12,324,578)	(12,324,578)
Members' interests at 31 March 2022	2,404,002	6,487,359	8,891,361

The notes on pages 13 to 20 form part of these financial statements.

SOMERSET CAPITAL MANAGEMENT LLP

CASH FLOW STATEMENT for the year ended 31 March 2022

	Note	Year ended 31 March 2022 £	Year ended 31 March 2021 £
Net cash generated from operating activities	11	10,115,011	13,951,082
Cash flow from investing activities			
Purchase of intangible assets		-	(250,000)
Payment of obligation associated with intangible asset		(96,875)	-
Interest received		311	1,912
Net cash used in investing activities		<u>(96,564)</u>	<u>(248,088)</u>
Cash flow from financing activities			
Capital introduced by members		255,915	76,202
Capital repayments to members		-	(76,202)
Drawings paid to members		(10,412,912)	(16,020,590)
Other amounts paid from members		18,636	2,394,787
Net cash used in financing activities		<u>(10,138,361)</u>	<u>(13,625,803)</u>
Net (decrease)/increase in cash and cash equivalents		(119,914)	77,191
Foreign exchange translation adjustment		60,005	(16,583)
Cash and cash equivalents at the beginning of the year		<u>4,080,556</u>	<u>4,019,948</u>
Cash and cash equivalents at the end of the year		<u>4,020,647</u>	<u>4,080,556</u>

The notes on pages 13 to 20 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2022

1. ACCOUNTING POLICIES

General information

Somerset Capital Management LLP ("the LLP") is a Limited Liability Partnership incorporated in the United Kingdom. The address of its registered office is 10 Bolt Court, 3rd Floor, London, EC4A 3DQ. The address of its principal place of business is Manning House, 22 Carlisle Place, London, SW1P 1JA.

Statement of compliance

The financial statements of the LLP are prepared in accordance with the Companies Act 2006, as applied to Limited Liability Partnerships and applicable accounting standards in the United Kingdom and Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), (March 2018).

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of accounting

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 as applied to Limited Liability Partnerships. The financial statements have also been prepared in compliance with the Statement of Recommended Practice: Accounting by Limited Liability Partnerships issued in December 2018. Applicable accounting standards and policies in the United Kingdom are applied consistently.

b) Going concern

Although the recent declines in assets under management have reduced profitability, the members have a reasonable expectation, based on their assessment of the LLP's financial position and resources, that the LLP will continue in operational existence for the foreseeable future and meet its debts as they fall due. The members therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c) Turnover

Turnover comprises investment management fees calculated as a percentage of assets under management and crystallised performance fees calculated as a percentage of performance in excess of criteria defined in the offering or appointment documentation of the specific fund or managed account respectively. Fees are accounted for in the profit and loss account on an accruals basis exclusive of value added tax.

d) Administrative expenses

Administrative expenses relate to costs incurred by the LLP in relation to the administration and business of the LLP, including service management fees payable to Somerset Capital Management Singapore Pte. Ltd and management charges payable to Somerset Capital Management Limited, and are recognised on an accruals basis.

e) Taxation

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

NOTES TO THE FINANCIAL STATEMENTS – continued
for the year ended 31 March 2022

f) Foreign currencies

(i) Functional and presentation currency

The LLP's functional and presentation currency is the pound sterling.

(ii) Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within the operating profit.

g) Current asset investments

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

h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts, when applicable, are shown within creditors in current liabilities.

i) Financial instruments

The LLP has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income immediately.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income immediately.

NOTES TO THE FINANCIAL STATEMENTS – continued
for the year ended 31 March 2022

i) Financial instruments - continued

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and amounts owed to related party undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

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

j) Members' remuneration and interests

Members' rights to participate in the profits or losses, or assets of the LLP are analysed between those that give rise to, from the LLP's perspective, either a financial liability or equity, in accordance with Section 11 and 12, 'of FRS 102 - Financial Instruments: Disclosure and Presentation' and Section 22 of FRS 102 'Members' Shares in Co-operative Entities and Similar Instruments'. Members' different participation rights are analysed separately into liability and equity elements. Where the LLP has a contractual obligation to deliver cash or another financial asset to the member, the capital is treated as debt. Where the LLP has an unconditional right to avoid delivering cash or other financial assets to a member in respect of such amounts (i.e. repayment of the member's capital is discretionary), it is treated as equity.

(i) Members' remuneration

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

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

SOMERSET CAPITAL MANAGEMENT LLP

NOTES TO THE FINANCIAL STATEMENTS – continued for the year ended 31 March 2022

j) Members' remuneration and interests - continued

(ii) Members' interests

Such amounts are not presented as an expense within the income statement. A discretionary division of profits that takes place after the balance sheet date is a non-adjusting event under section 32 of FRS 102, 'Events after the balance sheet date'.

k) Critical judgements and estimates in applying the accounting policy

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

l) Intangible asset

The income fund acquired is shown at historic cost, amortisation on the intangible asset is calculated using the straight-line basis to write down the cost to the residual value over the estimated useful life of 5 years.

The agreed earn-out on the income fund, is contingent on the future financial performance of the income fund and is recognised at fair value at acquisition and subsequently carried at cost less accumulated amortisation and impairment loss. Amortisation is calculated using straight line basis over the earn-out period of 5 years.

m) Provision for liabilities

Provisions are recognised where the LLP has a present obligation as a result of a past event, and it is probable that the LLP will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision for liabilities relates to the income fund earn-out and is recognised at fair value.

2. OPERATING PROFIT

	Year ended 31 March 2022 £	Year ended 31 March 2021 £
This is stated after charging/crediting:		
Auditor's remuneration:		
- fees payable for the audit of the financial statements	22,000	9,000
- fees payable for other services:		
- other services relating to taxation	6,150	17,560
Foreign exchange gain	<u>(52,858)</u>	<u>(273,567)</u>

A management charge of £9,954,400 (2021: £10,165,227) was paid to the corporate member, Somerset Capital Management Limited (see note 12 on Related Party Transactions). This includes the auditors' remuneration shown above.

3. EMPLOYEES

The LLP has no direct employees.

SOMERSET CAPITAL MANAGEMENT LLP

NOTES TO THE FINANCIAL STATEMENTS - continued **for the year ended 31 March 2022**

4. MEMBERS' REMUNERATION

The profit for the year available for discretionary division among members was £6,487,359 (2021: £9,678,210).

The largest entitlement to profit of a member during the year was £471,842 (2021: £760,330).

Average monthly number of members	Year ended 31 March 2022	Year ended 31 March 2021
Office and management	19	17
Corporate members	<u>6</u>	<u>6</u>
	<u>25</u>	<u>23</u>

5. INTANGIBLE ASSET

	Total £
Cost:	
At 1 April 2021	496,224
Additions	<u>458,903</u>
At 31 March 2022	<u>955,127</u>
Depreciation:	
At 1 April 2021	-
Amortisation charge for the year	<u>177,008</u>
At 31 March 2022	<u>177,008</u>
Net book value:	
At 31 March 2022	<u>778,119</u>
At 31 March 2021	<u>496,224</u>

In October 2020, the LLP entered into an agreement to purchase an income fund. The transaction was formally concluded on the 15 June 2021 when approval was granted by the regulatory authorities.

An initial consideration was paid, with an agreed earn-out based on a percentage of net revenue generated during the financial period to and including the fifth anniversary of the completion date.

The assessment of the earn-out element has been based on a forecast of revenues likely to be achieved over the five year period.

A provision for the corresponding liability is detailed within note 8.

SOMERSET CAPITAL MANAGEMENT LLP

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 March 2022**6. CURRENT ASSET INVESTMENTS**

	31 March 2022 £	31 March 2021 £
Other investments:		
MI Somerset Global Emerging Markets Fund	<u>39,091</u>	<u>46,805</u>

7. DEBTORS

	31 March 2022 £	31 March 2021 £
Amounts due from members (note 10)	4,088,692	6,144,890
Trade debtors	2,719,103	4,250,305
Amounts due from Somerset Capital Management USA LLC (note 12)	49,755	51,176
Prepayments and accrued income	152,585	207,000
VAT recoverable	21,957	-
Other debtors	<u>12,600</u>	<u>13,897</u>
	<u>7,044,692</u>	<u>10,667,268</u>

8. CREDITORS:

	31 March 2022 £	31 March 2021 £
Amounts falling due within one year:		
Trade creditors	167,446	49,235
Amounts due to Somerset Capital Management Singapore Pte Ltd (note 12)	37,099	784,633
Other creditors	1,740	5,051
VAT payable	-	7,064
Accruals	<u>111,365</u>	<u>181,167</u>
	317,650	1,027,150
Provision for liabilities (note 5)	<u>608,252</u>	<u>246,224</u>
	<u>925,902</u>	<u>1,273,374</u>

SOMERSET CAPITAL MANAGEMENT LLP

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 March 2022

9. FINANCIAL INSTRUMENTS BY CATEGORY

	31 March 2022 £	31 March 2021 £
Financial assets at fair value through profit and loss	-	-
Financial assets that are debt instruments measured at amortised cost	6,915,879	10,543,276
Financial liabilities measured at amortised cost	341,777	1,182,490
Financial liabilities at fair value through profit and loss	-	-

10. RECONCILIATION OF MOVEMENTS IN MEMBERS OTHER AND TOTAL INTERESTS

	Members' capital £	Other reserves classified as equity £	2022 Total £	Loans and other debts due to/from members £	2022 Total £	2021 Total £
Amounts due to members	-	-	-	2,191,182	-	-
Amounts due from members	-	-	-	(6,144,890)	-	-
Opening Members' interests	2,148,087	9,678,210	11,826,297	(3,953,708)	7,872,589	8,017,364
Profit for the financial year available for division among members	-	9,133,727	9,133,727	-	9,133,727	13,481,028
Members' interests after profit for the year	2,148,087	18,811,937	20,960,024	(3,953,708)	17,006,316	21,498,392
Division of profit	-	(12,324,578)	(12,324,578)	12,324,578	-	-
Introduced by members	255,915	-	255,915	-	255,915	76,202
Repaid to members	-	-	-	-	-	(76,202)
Drawings	-	-	-	(10,412,912)	(10,412,912)	(16,020,590)
Other movements	-	-	-	18,636	18,636	2,394,787
	2,404,002	6,487,359	8,891,361	(2,023,406)	6,867,955	7,872,589
Amounts due to members	-	-	-	2,065,286	-	-
Amounts due from members	-	-	-	(4,088,692)	-	-
Members' interests at 31 March 2022	2,404,002	6,487,359	8,891,361	(2,023,406)	6,867,955	7,872,589

Amounts due to members rank pari passu with the claims of other creditors in a winding up of the LLP.

SOMERSET CAPITAL MANAGEMENT LLP

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 March 2022

11. RECONCILIATION OF PROFIT TO CASH FROM OPERATING ACTIVITIES

	Year ended 31 March 2022 £	Year ended 31 March 2021 £
Profit for the year available for discretionary division among members	6,487,359	9,678,210
Members' remuneration charged as an expense	2,646,368	3,802,818
Interest income	(311)	(1,912)
Loss/(gain) on investments	7,714	(13,530)
Operating profit	9,141,130	13,465,586
Decrease/(increase) in debtors	1,566,378	(205,131)
(Decrease)/increase in creditors	(709,500)	674,044
Amortisation of intangible assets	177,008	-
Foreign exchange differences	(60,005)	16,583
Net cash generated from operating activities	10,115,011	13,951,082

12. RELATED PARTY TRANSACTIONS

Transactions with related party undertakings

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

During the year the LLP paid to its corporate member, Somerset Capital Management Limited ("SCM Limited"), management charges of £9,954,400 (2021: £10,165,227) in respect of expenses incurred on behalf of the LLP. Included in Amounts due to Members (note 10) at 31 March 2022, the LLP owed SCM Limited £2,041,159 (2021: 2,028,778).

During the year the LLP paid service management fees of £3,090,894 (2021: £2,653,893) to Somerset Capital Management Singapore Pte. Ltd ("SCMS"). At 31 March 2022, The LLP owed SCMS £37,099 (2021: 784,633).

At 31 March 2022, Somerset Capital Management USA LLC ("SCM USA") owed the LLP £49,755 (2021: £51,176) in relation to short term funding. SCM Limited is the parent undertaking of SCM USA.