

Partnership Registration Number: OC343126

EPISTEME CAPITAL PARTNERS (UK), LLP
Annual Report and Financial Statements
Year ended 31 December 2018



EPISTEME CAPITAL PARTNERS (UK), LLP

Financial Statements

Year ended 31 December 2018

Contents	Page
Members and Professional Advisors	1
Members' Report	2 – 4
Independent Auditors' Report	5 – 6
Statement of Comprehensive Income/(Loss)	7
Balance Sheet	8
Statement of Changes in Members' Interests	9
Cash Flow Statement	10
Notes to the Financial Statements	11 – 17
Unaudited Appendix – PILLAR 3 Disclosure	

EPISTEME CAPITAL PARTNERS (UK), LLP

Members and Professional Advisors

Year ended 31 December 2018

Members: Episteme Capital Holdings (Cayman) Ltd. (the "Corporate Member")
A Eterovic
G Lau
J Kassam

Registered Office: One Silk Street
London
EC2Y 8HQ

Independent Auditors: PricewaterhouseCoopers LLP
7 More London
Riverside
London
SE1 2RT

Bankers: HSBC plc
90 Baker Street
London
W1U 6AX

EPISTEME CAPITAL PARTNERS (UK), LLP

Members' Report

Year ended 31 December 2018

The members present their report and audited financial statements of Episteme Capital Partners (UK), LLP, (the "Partnership"), for the year ended 31 December 2018.

Principal activities:

The principal activity of the Partnership is to provide investment management and advisory services to private funds. During 2018, the Partnership provided services to twelve private funds (2017: nine), which include Systematic Quest Portfolio Company, Ltd and its two feeder funds, three funds (funded by the principals of Episteme Capital Partners (Cayman), Ltd.), launched in 2016, to establish a performance track record for marketing in subsequent years and seven separately managed accounts.

Review of the business and future developments

The members are satisfied with the results for the year ended 31 December 2018 and with the state of affairs of the Partnership at the balance sheet date. The members intend to continue their marketing efforts in 2019 with the intention of increasing assets under management and the turnover of the Partnership for 2019 and future years.

The Partnership has maintained continuous compliance with the Financial Conduct Authority Capital Adequacy requirements and has the resources to continue this compliance. During 2018, no capital was injected into the partnership.

The key performance indicators used by the Members for understanding the development and performance of the Partnership include profit/loss for the period, actual expenses compared to expected or budgeted expenses, cash flow, assets under management, and the performance of the private funds it manages.

Results for the year and allocation to members

The results of the Partnership for the year are set out in detail on page 7. The profit for the financial year ended 31 December 2018 was £4,026,692 (2017 loss: £356,760). The profit will be allocated to the members in 2019 as decided by the Corporate Member and governed by the Limited Liability Partnership Deed.

Designated Members and Corporate Member

The designated members who were in office during the year and up to the date of signing the financial statements were:

- A Eterovic
- G Lau
- J Kassam
- Episteme Capital Holdings (Cayman), Ltd is the Corporate Member of the Partnership

EPISTEME CAPITAL PARTNERS (UK), LLP

Members' Report

Year ended 31 December 2018

Financial risk management

The Partnership's operations expose it to certain financial risks. The Partnership members consider financial risks regularly and seek to limit the adverse effects on the financial performance of the Partnership. The principal risks relate to credit risk, market risk, operational risk, business risk and loss of key employees' risk. Given that the Partnership's future revenue is dependent on the profitability of the funds and managed accounts it manages, the Partnership is directly affected by the performance of the funds. While the funds' aggregate life to date rate of return has been positive, past performance is not necessarily indicative of future results. Consequently, the Partnership has significant risk with respect to the performance of the funds and managed accounts.

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

Distribution of profits can be made at the discretion of the Corporate Member, taking into account the anticipated needs of the Partnership. Members may draw down in advance of profit share at the discretion of the corporate member.

Each member has contributed to the capital of the Partnership certain sums as an initial capital contribution in the amount which was agreed upon at their admission to the Partnership. Members do not have an unconditional right to withdraw their capital.

Statement of members' responsibilities in respect of the financial statements

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

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing the financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the limited liability 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.

EPISTEME CAPITAL PARTNERS (UK), LLP

Members' Report

Year ended 31 December 2018

The members are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

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

- As far as the member is aware, there is no relevant audit information of which the Partnership's auditors are unaware; and
- The member has taken all the steps that he/she ought to have taken as a member in order to make him/herself aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next members' meeting.

Signed on behalf of the members:



Designated member - Gustavo Lau



Designated member - Jameel Kassam

Approved by the members on 24 April 2019

Independent auditors' report to the members of Episteme Capital Partners (UK), LLP

Report on the audit of the financial statements

Opinion

In our opinion, Episteme Capital Partners (UK), LLP's financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Statement of Comprehensive Income/(Loss), the Cash Flow Statement, the Statement of Changes in Members' Interests for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained 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, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the limited liability partnership's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the limited liability partnership's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The members are responsible for the other information. 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 thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

As explained more fully in the Statement of members' responsibilities in respect of the financial statements is set out on pages 3 and 4, the members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The members are also 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.

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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

This report, including the opinion, has been prepared for and only for the members of the partnership as a body in accordance with 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 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

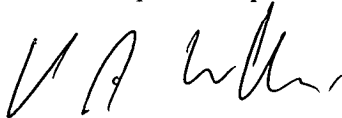
Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the limited liability partnership, 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.

We have no exceptions to report arising from this responsibility.



Kevin Williams (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

24 April 2019

EPISTEME CAPITAL PARTNERS (UK), LLP

Statement of Comprehensive Income/(Loss)

Year ended 31 December 2018

	Note	2018 £	2017 £
Turnover		5,287,498	881,413
Administrative expenses		(603,021)	(932,435)
Operating profit/(loss)	5	4,684,477	(51,022)
Interest earned		8,729	2,363
Profit/(loss) for the financial year before members' remuneration and profit shares		4,693,206	(48,659)
Members' remuneration charged as an expense		(666,514)	(308,101)
Profit/(loss) for the financial year available for discretionary division among members		4,026,692	(356,760)
Total Comprehensive income / (loss) for the year		4,026,692	(356,760)

The notes on pages 11 to 17 form part of these financial statements
Partnership Registration Number OC343126

EPISTEME CAPITAL PARTNERS (UK), LLP

Balance Sheet

As at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	7	10,018	11,842
Total fixed assets		<u>10,018</u>	<u>11,842</u>
Current assets			
Trade and other receivables	8	1,831,153	800,725
Cash at bank and in hand		<u>3,637,546</u>	<u>593,376</u>
Total current assets		<u>5,468,699</u>	<u>1,394,101</u>
Creditors - Amounts falling due within one year			
Trade and other payables	9	<u>123,001</u>	<u>76,919</u>
Net current assets		<u>5,345,698</u>	<u>1,317,182</u>
Total assets less current liabilities		<u>5,355,716</u>	<u>1,329,024</u>
Net assets attributable to members		<u>5,355,716</u>	<u>1,329,024</u>
Represented by:			
Members' other interests			
Members' Capital		992,400	992,400
Other Reserves		<u>4,363,316</u>	<u>336,624</u>
		<u>5,355,716</u>	<u>1,329,024</u>
Total members' interests			
Members' other interests		<u>5,355,716</u>	<u>1,329,024</u>

The financial statements on pages 7 to 17 were approved by the members on 24 April 2019 and were signed on its behalf by:



Designated member - Gustavo Lau



Designated member - Jameel Kassam

The notes on pages 11 to 17 form part of these financial statements
Partnership Registration Number OC343126

EPISTEME CAPITAL PARTNERS (UK), LLP

Statement of Changes in Members' Interests

Year ended 31 December 2018

	Equity		Debt Loan and other debts due to Members less any amounts in debtors £	Total Members' Interests £
	Members' Capital (Classified as equity) £	Member's Other Interests Other Reserves £		
Balance at 1 January 2017	1,254,624	693,384		1,948,008
Members' remuneration charged as expense	-	-	308,101	308,101
Loss for the financial year	-	(356,760)	-	(356,760)
Members' interests after loss for the year	1,254,624	336,624	308,101	1,899,349
Drawings			(308,101)	(308,101)
Repayment of Capital	(262,224)	-	-	(262,224)
Balance at 31 December 2017	992,400	336,624	-	1,329,024
Balance at 1 January 2018	992,400	336,624		1,329,024
Members' remuneration charged as expense	-	-	666,514	666,514
Income for the financial year	-	4,026,692	-	4,026,692
Members' interests after income for the year	992,400	4,363,316	666,514	6,022,230
Drawings	-	-	(666,514)	(666,514)
Balance at 31 December 2018	992,400	4,363,316	-	5,355,716

The notes on pages 11 to 17 form part of these financial statements
Partnership Registration Number OC343126

EPISTEME CAPITAL PARTNERS (UK), LLP

Cash Flow Statement

Year ended 31 December 2018

	Note	2018 £	2017 £
Net cash flows generated from work in operating activities	11	<u>3,040,910</u>	<u>(517,659)</u>
Cash flows generated from (used in) investing activities		-	-
Interest		8,729	2,363
Additions to fixed assets		<u>(5,469)</u>	<u>(5,302)</u>
		3,260	(2,939)
Cash flows generated from financing activities			
Repayment of capital		<u>-</u>	<u>(262,224)</u>
Increase/(decrease) in cash and cash equivalents		3,044,170	(782,822)
Cash and cash equivalents at beginning of year		593,376	1,376,198
Cash and cash equivalents at end of year		<u>3,637,546</u>	<u>593,376</u>

The notes on pages 11 to 17 form part of these financial statements
Partnership Registration Number OC343126

EPISTEME CAPITAL PARTNERS (UK), LLP

Notes to the Financial Statements

Year ended 31 December 2018

1. General Information

Episteme Capital Partners (UK), LLP (the "Partnership") provides investment management services to private funds. The partnership is incorporated and domiciled in the UK. The address of the registered office is One Silk Street, London, EC2Y 8HQ.

2. Accounting policies

Basis of Accounting

The financial statements are prepared on the going concern basis, under the historical cost convention in accordance with applicable accounting standards in the United Kingdom, including Financial Reporting Standard 102, the Companies Act 2006 as applied to limited liability partnerships, and in accordance with the requirements of the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' (SORP) issued in January 2017 (effective from periods commencing 1 January 2016 onwards). The principal accounting policies which have been applied on a consistent basis throughout the year are set out below.

These financial statements have been presented in pound sterling and this is also the functional currency of the partnership.

Turnover

The turnover shown in the profit and loss account represents amounts due for investment management and advisory services recognised on an accrual basis during the year, exclusive of Value Added Tax. All turnover is generated in the UK. Performance fees are based on discreet periods and are recognised at the end of the relevant period in which they are earned. Turnover is comprised of management fees of £1,338,973 and incentive fees of £3,948,525.

Tangible fixed assets and depreciation

Tangible assets are stated in the Balance Sheet, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is calculated in order to write off the cost of a tangible fixed asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvements	- straight line over the term of the lease
Furniture and fittings	- straight line over 5 years
Computer hardware	- straight line over 3 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Taxation

No provision has been made for taxation as each member will be responsible for their own tax liability.

EPISTEME CAPITAL PARTNERS (UK), LLP

Notes to the Financial Statements

Year ended 31 December 2018

Foreign currency transactions

The Partnership's functional and presentation currency is pound sterling. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange at the balance sheet date. Transactions in foreign currencies are recorded as sterling at the rate of exchange ruling at the average rate of exchange for the year. Exchange differences, arising at settlement, are taken into account in arriving at the operating result.

Leased assets

Operating leases:

Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Lease incentives:

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

The partnership has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2015) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

Financial instruments

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

Financial assets:

Basic financial assets, including trade and other receivables, 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 reassessed 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/(Loss).

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/(Loss).

Financial liabilities:

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest method 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.

EPISTEME CAPITAL PARTNERS (UK), LLP

Notes to the Financial Statements

Year ended 31 December 2018

Trade payables 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.

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

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 the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand deposits held at call with banks with original maturities of three months or less.

Capital and profit allocation

A member's share of the profit or loss for the financial year is accounted for as an allocation of profits or losses.

3. Segmental reporting

The Partnership's activities consist solely of the provision of investment management and advisory services to the funds which are organised in the United States of America, the Cayman Islands or Ireland.

4. Critical accounting judgements and estimation uncertainty

No significant or key estimates or judgements have been used in the preparation of these financial statements.

5. Operating profit/(loss)

	2018	2017
Arrived at after charging/(crediting):	£	£
Auditors' remuneration:		
Fees payable for the Statutory Audit	21,246	19,627
Fees payable for Audit related assurance services	4,338	4,212
Fees payable for tax and other services	4,500	5,600
Depreciation	7,294	5,348
Foreign exchange gains/(losses)	(265,567)	144,410
Operating lease – land and buildings	112,452	95,716

EPISTEME CAPITAL PARTNERS (UK), LLP

Notes to the Financial Statements

Year ended 31 December 2018

6. Staff costs

	<u>2018</u> £	<u>2017</u> £
The aggregate payroll costs were as follows:		
Wages and salaries	227,711	185,000
Social security costs	24,005	19,421
Other staff related costs	15,855	12,989
	<u>267,571</u>	<u>217,410</u>

The average number of employees (excluding members) during the year, analysed by category was as follows:

	<u>2018</u> No.	<u>2017</u> No.
Research & strategy	1	1
Operations and software development	2	1
Compliance	1	1
	<u>4</u>	<u>3</u>

Members

	<u>2018</u> No.	<u>2017</u> No.
The average monthly number of members during the year:	4	4
Members' remuneration charged as an expense	<u>£ 666,514</u>	<u>£ 308,101</u>

The member with the largest draw received £298,886 (2017: £182,900)

EPISTEME CAPITAL PARTNERS (UK), LLP

Notes to the Financial Statements

Year ended 31 December 2018

7. Tangible assets

	Leasehold Property £	Furniture and Equipment £	Computer Hardware £	Total £
Cost				
At 1 January 2018	4,460	463	34,905	39,828
Additions	-	-	5,469	5,469
Disposals	-	(463)	-	(463)
At 31 December 2018	<u>4,460</u>	<u>-</u>	<u>40,374</u>	<u>44,834</u>
Accumulated depreciation				
At 1 January 2018	(4,460)	(463)	(23,063)	(27,986)
Charge for the year	-	-	(7,293)	(7,293)
Depreciation on disposals	-	463	-	463
At 31 December 2018	<u>(4,460)</u>	<u>-</u>	<u>(30,356)</u>	<u>(34,816)</u>
Net book value				
At 31 December 2018	<u>-</u>	<u>-</u>	<u>10,018</u>	<u>10,018</u>
At 31 December 2017	<u>-</u>	<u>-</u>	<u>11,842</u>	<u>11,842</u>

8. Trade and other receivables

	2018 £	2017 £
Amounts owed by group undertakings	1,350,935	726,852
Other receivables	410,208	6,863
Prepayments and accrued income	70,010	67,010
	<u>1,831,153</u>	<u>800,725</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

9. Trade and other payables

	2018 £	2017 £
Trade creditors	23,529	2,559
Taxation and social security	5,362	5,501
Accruals	94,110	68,859
	<u>123,001</u>	<u>76,919</u>

EPISTEME CAPITAL PARTNERS (UK), LLP

Notes to the Financial Statements

Year ended 31 December 2018

10. Members' capital and allocation

Current year profits were not allocated to the members by the year end (2017: losses were not allocated by year end). It is at the members' discretion to determine members' drawings.

11. Reconciliation of operating profit to net cash flows from operating activities

	2018 £	2017 £
Operating profit/(loss)	4,684,477	(51,022)
Depreciation	7,293	5,248
Payments to members	(666,514)	(308,101)
(Increase) / decrease in debtors	(1,030,428)	(144,338)
Increase / (decrease) in creditors	46,082	(19,446)
	<u>3,040,910</u>	<u>(517,659)</u>

12. Operating lease commitments

The Partnership had a commitment under an operating lease to pay rental charges for its office space which expires on 22 November 2020.

	2018 £	2017 £
Not later than one year	97,500	97,500
Later than one year but not later than five years	87,192	184,692

13. Related party transactions

Episteme Capital Partners (Cayman), Ltd

Episteme Capital Partners (Cayman) Ltd is a majority shareholder of the Corporate Member. Episteme Capital Partners (Cayman) Ltd together with the Partnership and Episteme Capital Partners (US) LLC (the "US management company") are investment managers to eight private funds at 31 December 2018, which include Systematic Quest Portfolio Company, Ltd and its two feeder funds (collectively the "Fund"), three funds (funded by the principals of Episteme Capital Partners (Cayman), Ltd.), which launched in 2016, to establish a performance track record for marketing in subsequent years and seven managed accounts. The Partnership's management fees from its services to the Fund, and the managed accounts for the year ended 31 December 2018, payable from Episteme Capital Partners (Cayman), Ltd was £4,062,272 (2017: £813,349).

Episteme Capital Partners (UK), LLP settled supplier invoices on behalf of Episteme Capital Partners (Cayman), Ltd totalling £218 (2017: £nil). The outstanding amount at 31 December 2018 receivable by the Partnership was £1,350,935 (2017: £583,764).

EPISTEME CAPITAL PARTNERS (UK), LLP

Notes to the Financial Statements

Year ended 31 December 2018

Episteme Capital Holdings

Episteme Capital Partners (UK), LLP settled tax bills and professional fee invoices on behalf of Episteme Capital Holdings. The outstanding amount at 31 December 2018 receivable by the partnership was £nil (2017: £80,301).

Episteme Capital Partners (US) LLC

The Partnership has an agreement with Episteme Capital Partners (US), LLC for administrative services that Episteme Capital Partners (US), LLC provides to the Partnership. For the year ended 31 December 2018 the administrative service fee was £200,499 (2017: £192,014). The outstanding amount at 31 December 2018 payable by the Partnership was £nil (2017: £nil).

Episteme Capital Partners (US), LLC settled supplier invoices on behalf of Episteme Capital Partners (UK) LLP. The outstanding amount at 31 December 2018 payable to Episteme Capital Partners (US) LLC was £745 (2017: £nil).

Episteme Capital Partners (UK), LLP settled supplier invoices on behalf of Episteme Capital Partners (US) LLC. The outstanding amount at 31 December 2018 receivable by the partnership was £nil (2017: £8,119).

Systematic Quest Portfolio Ltd

Episteme Capital Partners (UK), LLP settled supplier invoices on behalf of Systematic Quest Portfolio Ltd. The outstanding amount at 31 December 2018 receivable by the partnership was £350 (2017: £340).

14. Ultimate controlling party

During the year under review the Partnership was under the control of the Corporate Member, Episteme Capital Holdings (Cayman), Ltd. This partnership's ultimate parent undertaking is Episteme Capital Partners (Cayman), Ltd., a Cayman Islands limited company. In the members' opinion, the Board of Directors of Episteme Capital Partners (Cayman), Ltd. is the ultimate controlling party of the Partnership.

15. Subsequent events

Subsequent events were evaluated through 24 April 2019, the date that the Financial Statements were available to be issued. The members have determined that there are no events which require disclosure in the Financial Statements.

EPISTEME CAPITAL PARTNERS (UK), LLP
Pillar 3 Disclosure (Unaudited)
One Silk Street
London
EC2Y 8HQ

Background

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

The FCA framework consists of three “Pillars”:

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

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet Episteme Capital Partners (UK), LLP (“the Partnership”) Pillar 3 obligation.

Under the rules the Partnership is permitted to omit required disclosures where we consider that the information is of a proprietary or confidential nature. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties. We are also permitted to omit required disclosures if in our opinion such an omission would be unlikely to change or influence the decision of the reader relying on it. We have made no omissions on the grounds that it is immaterial, proprietary or confidential.

EPISTEME CAPITAL PARTNERS (UK), LLP
Pillar 3 Disclosure (Unaudited)

Scope and Application of the Requirements

Episteme Capital Partners (UK), LLP is authorized and regulated by the Financial Conduct Authority as a limited license firm and is subject to minimum regulatory capital requirements. It is an investment management firm and as such has no trading book exposures and does not hold client money. The partnership is not a member of a group and so is not required to prepare consolidated reporting for prudential purposes.

Risk Management

The members of the Partnership together with the Compliance Officer have designed and implemented a risk management framework, which identifies the risks that the business faces. They have also determined how those risks are to be mitigated and regularly assess the procedures and controls necessary to manage those risks.

The Partnership has developed an Internal Capital Adequacy Process (ICAAP) and reviews this at least every 12 months.

The Partnership considers the following to be the main risks to the business:

Business and Operational Risk

Operational risk is defined by the FCA as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

We have identified relevant risks and related mitigation and controls as part of our ICAAP. During 2018 the Firm has continued diversification amongst its accounts which are not all trading the same strategy.

Even though we continue to market with the intent of increasing assets under management, there is still the business risk related to the Partnership's need to continue to raise capital and/or maintain assets under management, consistent with its fundraising plan. The feedback we have had and the reception in the marketplace has been generally positive and the efforts to attract additional clients are continuing in 2019.

EPISTEME CAPITAL PARTNERS (UK), LLP
Pillar 3 Disclosure (Unaudited)

We remain cautiously optimistic about the Firm's growth potential. The Partnership launched in mid-2009 and at that time the Members implemented a fundraising plan with the intent of reaching a level of AUM which would generate adequate management fees to cover operating expenses and allow the Partnership to operate at a break-even level while fundraising continues. The Partnership has been profitable 4 of the past 5 calendar years; 2014-2018.

Credit Risk

Credit risk is the risk that a party will default on a financial agreement. The Partnership is exposed to credit risk as follows:

- Fund management and performance fees due from unregulated investment schemes
- UK authorized banks in relation to deposits held with them

The risks are mitigated by:

- Periodically monitoring the financial strength of the financial institution which the Partnership banks with.
- Contractual arrangements in relation to the payment of management fees and incentive allocations due from the Funds and managed accounts.

Market Risk

The Partnership's only market risk exposure relates to the exchange rates on funds management fees and incentive allocation. The fund whose assets are managed is denominated in US dollars, which gives the Partnership exchange rate exposure between the date of recognition of management fee income in our accounts and the receipt and conversion into sterling of those monies. The risk is mitigated by keeping the size of the debtors' balance and the trend/market expectation for sterling to US dollar exchange rate movements under regular review.

Regulatory Capital

Under our permissions current as 23 April 2019, the Partnership's Pillar 1 capital is the greatest of E50k, the sum of market and credit risk requirements and the Fixed Overhead Requirement ("FOR"). As of December 31, 2018, the Partnership's FOR is £203K and its Tier 1 capital is £5,356K.