

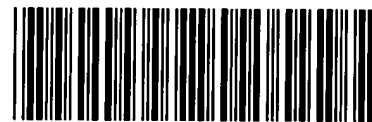
Platinum Capital Management Limited

Report And Financial Statements

30 June 2016

Rees Pollock
Chartered Accountants

TUESDAY



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COMPANIES HOUSE

Platinum Capital Management Limited

COMPANY INFORMATION

Directors	B Sanghvi P A Sprecher S Martin T Scacchi M Grubb T Sprecher
Registered number	03829996
Registered office	Independent House 18-20 Thorpe Road Norfolk NR1 1RY
Independent auditors	Rees Pollock 35 New Bridge Street London EC4V 6BW
Bankers	The Royal Bank of Scotland 62/63 Threadneedle Street London EC2R 8LA
Solicitors	King & Spalding 125 Old Broad Street London EC2N 1AR

DIRECTORS' REPORT

For the Year Ended 30 June 2016

The directors present their report and the financial statements for the year ended 30 June 2016.

Results and dividends

The profit for the year, after taxation, amounted to £5,664 (2015 - loss £6,162).

The directors have not recommended a dividend.

Directors

The directors who served during the year were:

B Sanghvi
P A Sprecher
S Martin
T Scacchi
M Grubb
T Sprecher (appointed 26 April 2016)

Pillar III disclosures

The firm has been documented the disclosures required by the FCA under BIPRU 11 as an attachment to the accounts.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

DIRECTORS' REPORT

For the Year Ended 30 June 2016

Disclosure of information to auditors

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

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Rees Pollock, have expressed their willingness to continue in office.

This report was approved by the board on *16th September 2016* and signed on its behalf.



B Sanghvi
Director

STRATEGIC REPORT
For the Year Ended 30 June 2016

Introduction

The principal activity of the company during the year was the provision of marketing and administration services and investment management services to the Platinum Funds.

Business review

The company is dependent on the environment in which it operates. The launch of the Platinum Funds continues to gather momentum. Results for the year are in line with directors' expectations.

Principal risks and uncertainties

PCM's principle risk management philosophy is to preserve investor capital consistent with each fund's mandate through an integrated portfolio and risk management process. The Company separates investment decision making, trade execution, portfolio risk oversight, compliance and back offices operations. There are independent investment committee, portfolio management and compliance functions. Decision making, implementation and compliance functions are separated within the organisation. Risks are analysed and monitored on a strategic, tactical and portfolio level.

Financial key performance indicators

The Company's business strategy focuses on the performance of its investment funds. The objective of the Company is to target capital growth and generate superior risk-adjusted absolute returns in most market conditions without significant leverage through the use of its investment strategies. Platinum investment philosophy focuses on an active, value-oriented investment approach based on fundamental research and strong risk management. Due diligence and management of risk are critical components of Platinum's investment philosophy. Each investment undergoes rigorous fundamental research and vetting. Only managers with exceptional expertise and many years of experience in their respective investment domain are selected to provide outstanding investment results and sizeable excess returns.

This report was approved by the board on 16th September 2016 and signed on its behalf.


B Sanghvi
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PLATINUM CAPITAL MANAGEMENT LIMITED

We have audited the financial statements of Platinum Capital Management Limited for the year ended 30 June 2016, set out on pages 5 to 16. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' responsibilities statement on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of its profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 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
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Simon Rees (Senior Statutory Auditor)
for and on behalf of
Rees Pollock
Statutory Auditor
19 September 2016

STATEMENT OF INCOME AND RETAINED EARNINGS
For the Year Ended 30 June 2016

	Note	2016 £	2015 £
TURNOVER	2	2,209,669	2,127,337
Administrative expenses		(2,200,188)	(2,133,499)
OPERATING PROFIT/(LOSS)	3	9,481	(6,162)
Tax on profit/(loss)	6	(3,817)	-
PROFIT/(LOSS) AFTER TAX		<u>5,664</u>	<u>(6,162)</u>
Retained earnings at the beginning of the year		209,216	215,378
Profit/(loss) for the year		<u>5,664</u>	<u>(6,162)</u>
RETAINED EARNINGS AT THE END OF THE YEAR		<u>214,880</u>	<u>209,216</u>

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of income and retained earnings.

The notes on pages 8 to 16 form part of these financial statements.

BALANCE SHEET
As at 30 June 2016

	Note	£	2016 £	£	2015 £
FIXED ASSETS					
Tangible assets	7		6,204		6,284
Investments	8		3,580		3,580
			<u>9,784</u>		<u>9,864</u>
CURRENT ASSETS					
Debtors	9	288,631		313,645	
Cash at bank and in hand		307,593		375,201	
		<u>596,224</u>		<u>688,846</u>	
Creditors: amounts falling due within one year	10	(360,770)		(458,623)	
NET CURRENT ASSETS			<u>235,454</u>		<u>230,223</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>245,238</u>		<u>240,087</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	11	(358)		(871)	
			<u>(358)</u>		<u>(871)</u>
NET ASSETS			<u><u>244,880</u></u>		<u><u>239,216</u></u>
CAPITAL AND RESERVES					
Called up share capital	12		15,030		15,030
Capital redemption reserve			14,970		14,970
Profit and loss account			214,880		209,216
			<u><u>244,880</u></u>		<u><u>239,216</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

16th September 2016



B Sanghvi
Director

The notes on pages 8 to 16 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2016

	2016	2015
	£	£
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	5,664	(6,162)
ADJUSTMENTS FOR:		
Depreciation of tangible assets	5,952	5,513
Taxation charge	3,817	-
Decrease in debtors	25,014	79,907
Decrease in creditors	(102,183)	(90,349)
Corporation tax paid	-	(1,010)
NET CASH GENERATED FROM OPERATING ACTIVITIES	(61,736)	(12,101)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(5,872)	(5,231)
Purchase of unlisted and other investments	-	(3,266)
NET CASH FROM INVESTING ACTIVITIES	(5,872)	(8,497)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of subordinated loan	-	150,000
NET CASH USED IN FINANCING ACTIVITIES	-	150,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(67,608)	129,402
Cash and cash equivalents at beginning of year	375,201	245,799
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	307,593	375,201
CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:		
Cash at bank and in hand	307,593	375,201
	307,593	375,201

The notes on pages 8 to 16 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2016

1. Accounting policies

1.1 Basis of preparation of financial statements

Platinum Capital Management Limited is a private limited company incorporated in the UK.

The company's registered address is Independent House, 18-20 Thorpe Road, Norwich, Norfolk, NR1 1RY.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. The company transitioned from the United Kingdom Generally Accepted Accounting Practice to Financial Reporting Standard 102 as at 1 July 2014. No changes to the financial statements were considered necessary.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. Management considers that no key accounting estimates have been made which affects the financial statements.

Management are also required to exercise judgment in applying the company's accounting policies. Due to the straight forward nature of the business management consider that no critical judgements have been made in applying the company's accounting policies.

The following principal accounting policies have been applied:

1.2 Revenue

Turnover comprises revenue recognised by the company in respect of services supplied, exclusive of value added tax. Management fees and other recharges in respect of costs incurred carrying out the company's principal activity are recognised as they accrue across the year. Performance fees are recognised on crystallisation.

1.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold Property	- amortised over the period of the lease
Computer equipment	- 25% on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Income and Retained Earnings.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2016

1. Accounting policies (continued)

1.4 Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term.

1.5 Fixed asset investments

Fixed asset investments are measured at fair value. Gains and losses on remeasurement are recognised in the profit or loss account for the year.

1.6 Financial instruments

The company does not trade in financial instruments and all such instruments arise directly from operations. All trade and other debtors are initially recognised at transaction value, as none contain in substance a financing transaction. Thereafter trade and other debtors are reviewed for impairment where there is objective evidence based on observable data that the balance may be impaired. The company does not hold collateral against its trade and other receivables so its exposure to credit risk is the net balance of trade and other debtors after allowance for impairment. The company's cash holdings comprise on demand balances and deposit accounts. All cash is held with banks with strong external credit ratings. Trade and other creditors and accruals are initially recognised at transaction value as none represent a financing transaction. They are only derecognised when they are extinguished. As the company only has short term receivables and payables, its net current asset position is a reasonable measure of its liquidity at any given time.

1.7 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

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. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2016

1. Accounting policies (continued)

1.8 Current and deferred taxation

Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Turnover

The turnover and operating profit for the year was derived from the company's principal continuing activity which was carried out wholly in the UK.

All turnover arose from outside the United Kingdom.

3. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	5,952	5,513
Auditors' remuneration	10,750	9,500
Auditors' remuneration - non-audit	10,825	11,550
Exchange differences	4,721	6,033
Operating lease rentals	205,022	93,481

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

4. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	770,340	1,066,823
Social security costs	96,340	138,197
	<u>866,680</u>	<u>1,205,020</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Number of administrative staff	<u>7</u>	<u>9</u>

5. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	352,288	434,381
	<u>352,288</u>	<u>434,381</u>

The highest paid director received remuneration of £194,856 (2015 - £260,581).

6. Taxation

	2016 £	2015 £
CURRENT TAX		
UK Corporation tax on profits for the year	4,330	-
	<u>4,330</u>	<u>-</u>
Total current tax	<u>4,330</u>	<u>-</u>
Deferred tax		
Reversal/(recognition) of deferred tax asset	(513)	-
Total deferred tax	<u>(513)</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>3,817</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2016

6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	9,481	(6,162)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	1,896	(1,232)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,617	626
Movement in tax losses	(696)	606
Total tax charge for the year	3,817	-

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

7. Tangible fixed assets

	S/Term Leasehold Property £	Computer equipment £	Total £
COST			
At 1 July 2015	3,710	76,188	79,898
Additions	5,250	622	5,872
At 30 June 2016	8,960	76,810	85,770
Depreciation			
At 1 July 2015	3,710	69,904	73,614
Charge for the year	2,625	3,327	5,952
At 30 June 2016	6,335	73,231	79,566
Net book value			
At 30 June 2016	2,625	3,579	6,204
At 30 June 2015	-	6,284	6,284

8. Fixed asset investments

	Unlisted investments £
VALUATION	
At 1 July 2015	3,580
At 30 June 2016	3,580
Net book value	
At 30 June 2016	3,580
At 30 June 2015	3,580

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

9. Debtors

	2016 £	2015 £
Due after more than one year		
Other debtors	-	33,981
	-	33,981
Due within one year		
Other debtors	155,555	190,610
Prepayments and accrued income	133,076	89,054
	<u>288,631</u>	<u>313,645</u>

10. Creditors: Amounts falling due within one year

	2016 £	2015 £
Subordinated loans	250,000	250,000
Trade creditors	15,896	52,043
Corporation tax	4,330	-
Taxation and social security	15,209	39,881
Other creditors	161	161
Accruals and deferred income	15,174	56,538
Share capital treated as debt	60,000	60,000
	<u>360,770</u>	<u>458,623</u>

The company has an obligation to redeem 30,000 Redeemable Preference "C" shares of £1 each at the request of its founder shareholder at a price of £2 per share. The "C" shares were to be redeemed on or before 30th October 2009, and are now repayable upon demand of the shareholders.

The £250,000 (2015 - £250,000) subordinated loan is interest free and repayable upon one month's written notice

11. Deferred taxation

	2016 £	2015 £
At beginning of year	(871)	(871)
Charged to the profit or loss	513	-
At end of year	<u>(358)</u>	<u>(871)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2016

11. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	(358)	(871)
	<u>(358)</u>	<u>(871)</u>

12. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
7,515 Class A Ordinary shares of £1 each	7,515	7,515
7,515 Class B Ordinary shares of £1 each	7,515	7,515
	<u>15,030</u>	<u>15,030</u>
	2016 £	2015 £
Shares classified as debt		
Allotted, called up and fully paid		
30,000 Class C Redeemable Preference shares of £2 each	60,000	60,000
	<u>60,000</u>	<u>60,000</u>

13. Commitments under operating leases

At 30 June 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	204,843	32,617
Later than 1 year and not later than 5 years	2,465	-
Total	<u>207,308</u>	<u>32,617</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2016

14. Related party transactions

During the year income of £1,242,603 (2015 - £1,688,483) was receivable from Platinum Trading Management Limited, a company in which P A Sprecher has a material interest. Platinum Trading Management Limited also recharged to the company expenses of £152,186 (2015 - £nil) which were incurred on the company's behalf. At the year end an amount of £62,254 was owed from (2015 - £152,621) Platinum Trading Management Limited.

Platinum Trading Management Limited has previously granted subordinated loans totalling £250,000, the terms of which are given in note 10. The amount outstanding at the year end was £250,000 (2015 - £250,000).

During the year the company incurred consultancy fees of £23,333 (2015 - £30,000) to S Martin, a director. At the year end there were no amounts outstanding in relation to this (2015 - £nil).

During the year the company incurred consultancy fees of £14,000 (2015- £8,000) to M Grubb, a director. At the year end there were no amounts outstanding in relation to this (2015- £nil).

All of the above transactions have been undertaken on normal commercial terms.

15. Controlling party

The company's ultimate controlling party is P A Sprecher, by virtue of his controlling interest in the company's issued share capital.

Platinum Capital Management Limited Pillar 3 disclosure

Disclosure Policy

C4/P3

The Pillar 3 rules in BIPRU 11 set out the need for firms to have a formal disclosure policy. In accordance with the rules of the Financial Conduct Authority ("FCA") Firm Name (the "Firm") will disclose the information set out in BIPRU 11 (the Pillar 3 rule) on at least an annual basis. The Pillar 3 disclosure will be made in the annual accounts]. Where a Pillar 3 disclosure is not made by way of annual accounts or the Firm's website, details of how to obtain the Pillar 3 disclosure shall be made in the annual accounts and contact details for the Compliance Officer.

The Firm may omit information it deems as immaterial, in accordance with the rules. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Accordingly where the Firm has considered an item to be immaterial it has not been disclosed.

In addition, if the required information is deemed to be proprietary or confidential then the Firm may take the decision to exclude it from the disclosure. In the Firm's view, proprietary information is that which, if it were shared, would undermine its competitive position. Information is considered to be confidential where there are obligations binding the Firm to confidentiality with our customers, suppliers or counterparties. Where information is omitted for either of these reasons this is stated in the relevant section of the disclosure, along with the jurisdiction.

Introduction

It should be noted that PCM is authorised as a full scope Alternative Investment Fund Manager and Collective Portfolio Management Investment firm as implemented by the FCA under the Alternative Investment Fund Managers Directive. As such, under the AIFMD its most onerous capital requirement equates to the sum of the fixed overheads requirement of £344,000 and Professional negligence capital requirements of £9,000. PCM retains this requirement in liquid assets.

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised by the FCA, for capital purposes, as a limited licence firm. It is an investment management firm; it has no trading book exposures. The Firm is not required to prepare consolidated reporting for prudential purposes.

The FCA's current prudential regime can be split into three "pillars":

- Pillar 1 – prescribes the minimum capital requirements that authorised firms need to hold. This is the higher of €50k; quarter of the firms annual adjusted expenditure (the Fixed Overheads Requirement); or the sum of the firm's prescribed Credit risk + Market risk.
- Pillar 2 – requires firms to analyse the risks to the business and then consider whether the risks are mitigated to an appropriate standard. If the firm feels that the risks are not

adequately mitigated then they should allocate capital against those risk. Stress and scenario tests are conducted to ensure that the processes, strategies and systems are comprehensive and robust and that the allocation of capital is sufficient.

- Pillar 3 - requires firms to develop a set of disclosures which will allow market participants to assess key information about the Firm's underlying risks, risk management controls and capital position.

The Fixed Overheads Requirement determines the Firm's Capital Resources Requirement.

The Firm is a Limited Company and its capital is summarised as follows:

	£
Permanent Share Capital	15,000
Audited Retained Reserves	230,000

Permanent Share Capital and other reserves	245,000
	=====

The main features of the Firm's Capital Resources Requirement are as follows:

Capital Item	£
Tier 1 capital plus tier two capital after deductions	367,000
Total Tier 3 Capital	128,000
Total capital resources, before deductions	495,000

Risk Management

Due to the size, nature, scale and complexity of the Firm, there is no independent risk management function. The Directors of the Firm and including the Chief Risk Officer determine the business strategy and risk appetite along with the risk management policies and procedures. An identification of risks to the Firm is considered and the Firm's resultant exposure is assessed after the application of both management and mitigation of these risks. Furthermore the Firm then conduct a series of stress tests and scenario analyses on these risks to determine the effect they would have on the firm.

If necessary the Firm would allocate extra capital to the relevant risk, as per the Pillar 2 requirement: this has not been deemed necessary. This process is conducted at Board meetings which are held on a quarterly basis and the relevant policies and procedures are updated where necessary.

The Directors have identified the below as the main area of risk to which the firm is exposed.

Material Risks

PCM has taken the approach to be risk adverse and the firm takes reasonable steps to manage its risks. This is reflected in their low appetite for taking on risk in any of its activities. Risks to income generating capability are mitigated wherever possible and measures against actual and potential operating risks are taken where the Board of Directors judge the benefit or the potential of the mitigation to exceed the costs of the mitigating controls. The same low tolerance to risk is reflected on the costs side of the business with minimal long term cost commitments. PCM has little to no tolerance for engaging in activity that adversely influences its risk profile. All risks of any significance are identified, assessed and controlled on an on-going basis.

Risk Category	Applicable?	Impact	Likely
Concentration risk	Y	MH	ML
Credit risk	Y	MH	L
Foreign exchange risk	Y	ML	L
Key person risk	Y	MH	ML
Liquidity risk	Y	MH	L
Market risk	Y	MH	MH
Operational risk	Y	ML	ML
Regulatory and Legal risk	Y	ML	L
Reputational risk	Y	MH	L
Settlement risk	Y	L	L
Strategic risk	Y	ML	L

The Firm has concluded that its Capital Resources I is sufficient to cover its Pillar 1 and Pillar 2 requirements.