Platinum Capital Management Limited

Report And Financial Statements

30 June 2017

Rees Pollock
Chartered Accountants

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 2017

The directors present their report and the financial statements for the year ended 30 June 2017.

Principal activity

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.

Results and dividends

The profit for the year, after taxation, amounted to £5,173 (2016 - £5,664).

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

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's 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;
- 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 (CONTINUED)
For the Year Ended 30 June 2017

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 the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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 5 October 2017 and signed on its behalf.

B. Sanghvi
Director

STRATEGIC REPORT
For the Year Ended 30 June 2017

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.

This report was approved by the board on 5 October 2017 and signed on its behalf.

B Sanghvi
Director

Rees Pollock

Rees Pollock
Chartered Accountants
35 New Bridge Street
London EC4V 6BW
Tel: 020 7778 7200
www.reespollock.co.uk

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

Opinion

We have audited the financial statements of Platinum Capital Management Limited for the year ended 30 June 2017, set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its profit 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.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company'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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Rees Pollock

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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 the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

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, and for such internal control as the directors 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 directors are responsible for assessing the Company'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 directors either intend to liquidate the Company 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditors' report.

Simon Rees (Senior statutory auditor)
for and on behalf of
Rees Pollock
Statutory Auditor

5 October 2017

STATEMENT OF INCOME AND RETAINED EARNINGS
For the Year Ended 30 June 2017

	Note	2017 £	2016 £
TURNOVER	2	1,628,013	2,209,669
Administrative expenses		(1,620,287)	(2,200,188)
OPERATING PROFIT	3	7,726	9,481
Interest receivable and similar income		118	-
PROFIT BEFORE TAX		7,844	9,481
Tax on profit		(2,671)	(3,817)
PROFIT AFTER TAX		5,173	5,664
Retained earnings at the beginning of the year		214,880	209,216
Profit/(loss) for the year		5,173	5,664
RETAINED EARNINGS AT THE END OF THE YEAR		220,053	214,880

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of income and retained earnings.

The notes on pages 9 to 16 form part of these financial statements.

Platinum Capital Management Limited
Registered number:03829996

BALANCE SHEET
As at 30 June 2017

	Note		2017 £		2016 £
FIXED ASSETS					
Tangible assets	7		2,199		6,204
Investments	8		3,580		3,580
			5,779		9,784
CURRENT ASSETS					
Debtors	9	302,719		288,631	
Cash at bank and in hand		322,649		307,593	
		625,368		596,224	
Creditors: amounts falling due within one year	10	(380,736)		(360,770)	
NET CURRENT ASSETS			244,632		235,454
TOTAL ASSETS LESS CURRENT LIABILITIES			250,411		245,238
PROVISIONS FOR LIABILITIES					
Deferred tax	11	(358)		(358)	
			(358)		(358)
NET ASSETS			250,053		244,880
CAPITAL AND RESERVES					
Called up share capital	12		15,030		15,030
Capital redemption reserve			14,970		14,970
Profit and loss account			220,053		214,880
			250,053		244,880

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 5 October 2017.

B Sanghvi
Director

The notes on pages 9 to 16 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2017

	2017 £	2016 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	5,173	5,664
ADJUSTMENTS FOR:		
Depreciation of tangible assets	4,638	5,952
Interest received	(118)	-
Taxation charge	2,671	3,817
(Increase)/decrease in debtors	(14,088)	25,014
Increase/(decrease) in creditors	21,625	(102,183)
Corporation tax (paid)/received	(4,330)	-
NET CASH GENERATED FROM OPERATING ACTIVITIES	15,571	(61,736)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(633)	(5,872)
Interest received	118	-
NET CASH FROM INVESTING ACTIVITIES	(515)	(5,872)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	15,056	(67,608)
Cash and cash equivalents at beginning of year	307,593	375,201
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	322,649	307,593
Cash at bank and in hand	322,649	307,593

The notes on pages 9 to 16 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2017

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, NR1 1RY.

The company's principal activity is documented in the Directors' report.

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 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 judgement 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 2017

1. **Accounting policies (continued)**

1.4 Operating leases

Rentals paid under operating leases are charged to the Statement of income and retained earnings 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, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.5 Fixed asset investments

Fixed asset investments area 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 account. 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 2017

1. **Accounting policies (continued)**

1.8 Current and deferred taxation

Tax is recognised in the Profit and loss account,, except that a charge 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 within the United Kingdom.

3. **Operating profit**

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	4,638	5,952
Auditors' remuneration	10,250	10,750
Auditors' remuneration - non-audit	12,000	10,825
Exchange differences	4,070	4,721
Operating lease rentals	218,464	205,022
Defined contribution pension cost	1,780	-

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2017

4. Employees

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

	2017 £	2016 £
Wages and salaries	427,367	846,092
Social security costs	53,988	96,340
Cost of defined contribution scheme	1,780	-
	483,135	942,432

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

	2017 No.	2016 No.
Number of administrative staff	5	7

5. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	213,659	352,284

The highest paid director received remuneration of £213,659 (2016 - £194,856).

6. Taxation

	2017 £	2016 £
Corporation tax		
UK Corporation tax on profits for the year	2,671	4,330
Deferred tax		
Reversal/(recognition) of deferred tax asset	-	(513)
Taxation on profit on ordinary activities	2,671	3,817

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2017

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 19% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	7,844	9,481
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2016 - 20%)	1,490	1,896
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	878	2,617
Timing differences on fixed assets	201	-
Movement in tax losses	-	(696)
Other differences leading to an increase (decrease) in the tax charge	102	-
Total tax charge for the year	2,671	3,817

7. Tangible fixed assets

	S/Term Leasehold Property £	Computer equipment £	Total £
Cost			
At 1 July 2016	8,960	76,810	85,770
Additions	-	633	633
At 30 June 2017	8,960	77,443	86,403
Depreciation			
At 1 July 2016	6,335	73,231	79,566
Charge for the period	2,625	2,013	4,638
At 30 June 2017	8,960	75,244	84,204
Net book value			
At 30 June 2017	-	2,199	2,199
At 30 June 2016	2,625	3,579	6,204

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2017

8. Fixed asset investments

	Unlisted investments £
Valuation	
At 1 July 2016	3,580
At 30 June 2017	3,580

9. Debtors

	2017 £	2016 £
Due after more than one year		
Other debtors	8,400	-
	8,400	-
Due within one year		
Other debtors	73,866	155,555
Prepayments and accrued income	220,453	133,076
	302,719	288,631

10. Creditors: Amounts falling due within one year

	2017 £	2016 £
Other loans	250,000	250,000
Trade creditors	29,903	15,896
Corporation tax	2,671	4,330
Other taxation and social security	18,680	15,209
Other creditors	547	161
Accruals and deferred income	18,935	15,174
Share capital treated as debt	60,000	60,000
	380,736	360,770

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 (2016 - £250,000) subordinated loan is interest free and repayable upon one months written notice.

11. Deferred taxation

	2017 £	2016 £
At beginning of year	(358)	(871)
Charged to profit or loss	-	513
At end of year	(358)	(358)

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(358)	(358)
	(358)	(358)

12. Share capital

	2017 £	2016 £
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
	15,030	15,030

	2017 £	2016 £
Shares classified as debt		
Allotted, called up and fully paid		
30,000 Class C Redeemable Preference shares of £2 each	60,000	60,000

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2017

13. Commitments under operating leases

At 30 June 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	139,560	204,843
Later than 1 year and not later than 5 years	64,596	2,465
	204,156	207,308

14. Related party transactions

During the year income of £254,041 (2016 - £1,242,603) 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 £427,453 (2016 - £152,186) which were incurred on the company's behalf. At the year end an amount of £18,829 was owed from (2016 - £62,254) Platinum Trading Management Limited.

Platinum Trading Management Limited has previously granted subordinated loans totaling £250,000, the terms of which are given in note 10. The amount outstanding at the year end was £250,000 (2016 - £250,000).

During the year the company incurred consultancy fees of £30,000 (2016 - £23,333) to S Martin, a director. At the year end there were no amounts outstanding in relation to this (2016 - £nil).

During the year the company incurred consultancy fees of £30,000 (2016- £14,000) to M Grubb, a director. At the year end there were no amounts outstanding in relation to this (2016- £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 £239,000 and Professional negligence capital requirements of £7,038, to be satisfied by tiers one and two of capital. PCM also satisfies the requirement to maintain this amount 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 €125k; one quarter of the firms annual adjusted fixed expenditure (the Fixed Overheads Requirement); and the sum of the firm's prescribed Credit risk + Market risk requirements.
- 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 pillar 1 capital surplus at 30 June 2017 was as follows:

	£
Called up share capital	15,030
Capital redemption reserve	14,970
Audited reserves	214,880
Core tier one capital	**244,880**
Tier two capital	**122,440**
Tier three capital	**127,560**
Total capital	**494,880**
Credit risk requirement	28,000
Market risk requirement (on foreign currency exposures)	32,000
(a) Total of credit risk and market risk requirements	60,000
(b) Fixed overhead requirement (based on current year expenditure)	239,000
Variable capital requirement (higher of (a) and (b))	**239,000**
Base capital requirement (for CPMI firms subject to BIPRU, €125k)	**109,755**
Overall pillar 1 requirement (higher of variable and base requirements)	**239,000**
Surplus of capital held over pillar 1 requirement (494,880-239,000)	**255,880**

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.

Where necessary, the Firm allocates extra capital to the relevant risk under the overall pillar 2 rule. This is documented as part of the ICAAP and approved 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 are sufficient to cover its Pillar 1 and Pillar 2 requirements.