

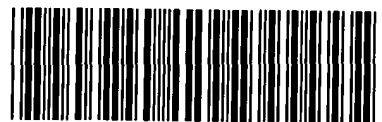
Platinum Capital Management Limited

Report And Financial Statements

30 June 2018

Rees Pollock
Chartered Accountants

THURSDAY



L7IQYC8B
LD3 15/11/2018 #94
COMPANIES HOUSE

Platinum Capital Management Limited

COMPANY INFORMATION

Directors	P A Sprecher T Sprecher B Sanghvi S Martin T Scacchi M Grubb
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 2018

The directors present their report and the financial statements for the year ended 30 June 2018.

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 loss for the year, after taxation, amounted to £26,090 (2017 -profit £5,173).

The directors have not recommended a dividend.

Directors

The directors who served during the year were:

P A Sprecher
T Sprecher
B Sanghvi
S Martin
T Scacchi
M Grubb

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 to 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 2018

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 17 October 2018 and signed on its behalf.

A handwritten signature in black ink, consisting of a stylized 'B' followed by a horizontal line and a flourish.

B Sanghvi
Director

STRATEGIC REPORT
For the Year Ended 30 June 2018

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 17 October 2018 and signed on its behalf.



B Sanghvi
Director

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

Opinion

We have audited the financial statements of Platinum Capital Management Limited (the 'Company') for the year ended 30 June 2018, which comprise the Statement of income and retained earnings, the Balance sheet, the Statement of cash flows and the related notes, including a summary of significant accounting policies. 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its 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.

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 other 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.

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 or 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. This description forms part of our Auditors' report.

Use of our report

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.

Simon Rees (Senior Statutory Auditor)

for and on behalf of

Rees Pollock

Statutory Auditor

17 October 2018

STATEMENT OF INCOME AND RETAINED EARNINGS
For the Year Ended 30 June 2018

	Note	2018 £	2017 £
TURNOVER	2	2,086,565	1,628,013
Administrative expenses		(2,105,531)	(1,620,287)
Fair value movement		1,381	-
Operating (loss)/profit	3	(17,585)	7,726
Interest receivable and similar income		1,930	118
(Loss)/profit before tax		(15,655)	7,844
Tax on (loss)/profit		(10,435)	(2,671)
(Loss)/profit after tax		(26,090)	5,173
Retained earnings at the beginning of the year		220,053	214,880
Profit/(loss) for the year		(26,090)	5,173
Retained earnings at the end of the year		193,963	220,053

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of income and retained earnings.

The notes on pages 9 to 17 form part of these financial statements.

BALANCE SHEET
As at 30 June 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	7	578	2,199
Fixed Asset Investments	8	3,266	3,580
		<u>3,844</u>	<u>5,779</u>
Current assets			
Debtors	9	520,989	302,719
Cash at bank and in hand		151,799	322,649
		<u>672,788</u>	<u>625,368</u>
Creditors: amounts falling due within one year	10	(452,669)	(380,736)
Net current assets		<u>220,119</u>	<u>244,632</u>
Total assets less current liabilities		<u>223,963</u>	<u>250,411</u>
Provisions for liabilities			
Deferred tax	11	-	(358)
		<u>-</u>	<u>(358)</u>
Net assets		<u><u>223,963</u></u>	<u><u>250,053</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		193,963	220,053
		<u>223,963</u>	<u>250,053</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 October 2018.



B Sanghvi
Director

The notes on pages 9 to 17 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	(26,090)	5,173
Adjustments for:		
Depreciation of tangible assets	1,621	4,638
Interest received	(1,930)	(118)
Taxation charge	10,435	2,671
(Increase) in debtors	(218,271)	(14,088)
Increase in creditors	63,811	21,625
Fair value movement	(1,381)	-
Corporation tax (paid)	(2,670)	(4,330)
Net cash generated from operating activities	(174,475)	15,571
Cash flows from investing activities		
Purchase of tangible fixed assets	-	(633)
Sale of unlisted and other investments	1,695	-
Interest received	1,930	118
Net cash from investing activities	3,625	(515)
Net (decrease)/increase in cash and cash equivalents	(170,850)	15,056
Cash and cash equivalents at beginning of year	322,649	307,593
Cash and cash equivalents at the end of year	151,799	322,649
Cash at bank and in hand	151,799	322,649

The notes on pages 9 to 17 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

Platinum Capital Management Limited is a private limited company incorporated in the UK and registered in England and Wales.

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.

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 2018

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 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 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 2018

1. Accounting policies (continued)

1.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. 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 balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. 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 (loss)/profit

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

	2018 £	2017 £
Depreciation of tangible fixed assets	1,621	4,638
Auditors' remuneration	10,000	10,250
Auditors' remuneration - non-audit	14,900	12,000
Exchange differences	23,540	4,070
Operating lease rentals	205,225	218,464
Pension costs	2,551	1,780

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2018

4. Employees

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

	2018 £	2017 £
Wages and salaries	535,313	427,367
Social security costs	67,402	53,988
Pension costs	2,551	1,780
	<u>605,266</u>	<u>483,135</u>

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

	2018 No.	2017 No.
Number of administrative staff	<u>5</u>	<u>5</u>

5. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	238,117	213,659
Pension costs	<u>697</u>	<u>-</u>

During the year retirement benefits were accruing to 2 directors (2017 -1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £199,245 (2017 -£213,659).

6. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	10,793	2,671
Deferred tax		
Origination and reversal of timing differences	(358)	-
Taxation on profit on ordinary activities	<u>10,435</u>	<u>2,671</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2018

6. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2017 -the same as) the standard rate of corporation tax in the UK of 19% (2017 - 19%) as set out below:

	2018 £	2017 £
(Loss)/profit on ordinary activities before tax	<u>(15,655)</u>	<u>7,844</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19%)	(2,974)	1,490
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	13,488	878
Capital allowances for year in excess of depreciation	-	201
Short term timing difference leading to an increase (decrease) in taxation	(79)	102
Total tax charge for the year	<u>10,435</u>	<u>2,671</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2018

7. Tangible fixed assets

	S/Term Leasehold Property £	Computer equipment £	Total £
Cost			
At 1 July 2017	8,960	77,443	86,403
At 30 June 2018	8,960	77,443	86,403
Depreciation			
At 1 July 2017	8,960	75,244	84,204
Charge for the year on owned assets	-	1,621	1,621
At 30 June 2018	8,960	76,865	85,825
Net book value			
At 30 June 2018	-	578	578
At 30 June 2017	-	2,199	2,199

8. Fixed asset investments

	Unlisted investments £
Valuation	
At 1 July 2017	3,580
Disposals	(1,695)
Revaluations	1,381
At 30 June 2018	3,266

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2018

9. Debtors

		2018 £	2017 £
Other debtors		8,400	8,400
		<u>8,400</u>	<u>8,400</u>
Due within one year			
Amounts owed by related parties	14	185,047	18,829
Other debtors		89,050	55,037
Prepayments and accrued income		238,492	220,453
		<u>520,989</u>	<u>302,719</u>

10. Creditors: Amounts falling due within one year

		2018 £	2017 £
Other loans		250,000	250,000
Trade creditors		60,230	29,903
Corporation tax		10,793	2,671
Other taxation and social security		19,113	18,680
Other creditors		1,996	547
Accruals and deferred income		50,537	18,935
Share capital treated as debt		60,000	60,000
		<u>452,669</u>	<u>380,736</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 (2017 - £250,000) subordinated loan is interest free and repayable upon one months written notice.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2018

11. Deferred taxation

	2018 £	2017 £
At beginning of year	(358)	(358)
Charged to the profit or loss	358	-
At end of year	-	(358)

The deferred taxation balance is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	-	(358)
	-	(358)

12. Share capital

	2018 £	2017 £
Shares classified as equity		
Allotted, called up and fully paid		
7,515 (2017 -7,515) Class A Ordinary shares of £1.00 each	7,515	7,515
7,515 (2017 -7,515) Class B Ordinary shares of £1.00 each	7,515	7,515
	15,030	15,030

Shares classified as debt

	2018 £	2017 £
Allotted, called up and fully paid		
30,000 (2017 -30,000) Class C Redeemable Preference shares of £2.00 each	60,000	60,000

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2018

13. Commitments under operating leases

At 30 June 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	281,991	139,560
Later than 1 year and not later than 5 years	2,615	64,596
	<u>284,606</u>	<u>204,156</u>

14. Related party transactions

During the year income of £180,006 (2017 - £254,041) was receivable from Platinum Trading Management Limited, a company under common control. Platinum Trading Management Limited also recharged to the company expenses of £649,973 (2017 - £427,453) which were incurred on the company's behalf. At the year end an amount of £185,047 was owed from (2017 - £18,829) 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 (2017 - £250,000).

During the year the company incurred consultancy fees of £30,000 (2017 - £30,000) to S Martin, a director. At the year end there were no amounts outstanding in relation to this (2017 - £nil).

During the year the company incurred consultancy fees of £24,000 (2017- £30,000) to M Grubb, a director. At the year end there were no amounts outstanding in relation to this (2017- £nil).

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

15. Controlling party

The company's ultimate controlling party is The Sprecher Family 2018 Irrevocable Trust.

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 £289,000 and Professional negligence capital requirements of £6,455, 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 2018 was as follows:

	£
Called up share capital	15,030
Capital redemption reserve	14,970
Audited reserves	196,963
Core tier one capital	223,963
Tier two capital	111,982
Tier three capital	138,018
Total capital	473,963
Credit risk requirement	40,000
Market risk requirement (on foreign currency exposures)	22,000
(a) Total of credit risk and market risk requirements	62,000
(b) Fixed overhead requirement (based on current year expenditure)	289,000
Variable capital requirement (higher of (a) and (b))	289,000
Base capital requirement (for CPPI firms subject to BIPRU, €125k)	110,541
Overall pillar 1 requirement (higher of variable and base requirements)	289,000
Surplus of capital held over pillar 1 requirement (494,880-239,000)	184,963

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.