

FAM Services Limited

Annual report and financial statements

For the year ended 31 December 2016

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FAM Services Limited

Company Information

Director	A D Stevens
Company secretary	J Davidson
Registered number	05000601
Registered office	Marble Arch House 66 Seymour Street London W1H 5BT
Independent auditor	Ernst & Young LLP 25 Churchill Place London E14 5EY
Bankers	Coutts & Co 188 Fleet Street London EC4A 2HY
Solicitors	Schulte Roth & Zabel Heathcoat House 20 Savile Row London W1S 3PR

FAM Services Limited

Group strategic report For the year ended 31 December 2016

Introduction

The director presents his strategic report of FAM Services Limited ("the Company") and its subsidiaries (collectively "the Group") for the year ended 31 December 2016. The Company's subsidiary undertakings are Fulcrum Asset Management LLP ("the LLP"), FAM Services Nominees Limited ("Nominees"), Fulcrum Asset Management LP ("the US LP") and Fulcrum Asset Management GP LLC ("the US GP").

Business review

The principal activity of the Company is that of a service company, providing administrative support services to the LLP. The LLP is a limited liability partnership incorporated in England and Wales whose principal activity is the provision of investment management services. The LLP manages a range of UCITS compliant pooled investment vehicles domiciled in Luxembourg and UK, Alternative Investment Funds domiciled in Luxembourg and Cayman Islands, an Australian Trust and a US mutual fund with aggregate assets under management of £4.8bn (2015: £2.5bn). The LLP is authorised to conduct investment business by the Financial Conduct Authority ("FCA").

The US LP is a limited partnership incorporated and registered in the USA. The principal activity of the US LP is to market the funds managed by the LLP in the US.

The director does not see any change in the nature of the Group's activity going forward.

Financial key performance indicators

The Group's performance is driven directly by the activities of the LLP. The key performance indicators of the Group are therefore linked to those of the LLP, which are revenue and profit before tax. The increase in revenue of the Group is attributable to the growth of the funds under management and the performance of the funds managed.

Group turnover for the year amounted to £18,950,317 (2015: £13,867,005). The Group launched new funds in USA and Australia during the year, which have contributed to the increase in revenue. The impact of the increased revenue on profitability was partially offset by an increase in expenditure resulting in profit after taxation of £4,372,919 compared to £2,364,701 for 2015. The increase in expenditure is as a result of the additional resources required to manage the new funds launched during the year.

Total equity, including that attributable to the non-controlling interests, amounted to £4,523,007 (2015: £2,318,548).

Principal risks and uncertainties

The principal risk affecting the Group is the performance of funds under management as these generate its revenue. The immediate risk to the Group of underperforming funds is a decline in revenues, and, longer-term, the risk of redemptions in the funds managed by the Group.

Other key risks relate to the Group's ability to attract and retain key investment management personnel.

The Group uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material revenue entitlements denominated in a foreign currency. Hedge accounting is used when certain criteria are met as explained in the accounting policy note 2.18.

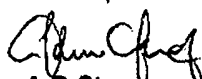
FAM Services Limited

Group strategic report (continued)
For the year ended 31 December 2016

Principal risks and uncertainties (continued)

From an operational perspective, the key risk relates to the potential for non-compliance with the regulations issued by the Financial Conduct Authority that could lead to the Group being subject to a fine or a ban on trading activities. This risk is managed through regular review of the Group's compliance framework by senior management.

This report was approved by the board on 16 June 2017 and signed on its behalf by:


A D Stevens
Director

FAM Services Limited

**Director's report
For the year ended 31 December 2016**

The director presents his report and the financial statements for the year ended 31 December 2016.

Dividends

There were no dividends paid in the year under review (2015: £nil).

Director

The director who served during the year and up to the date of this report was:

A D Stevens

Future developments

The director does not see any change in the nature of the Group activity going forward.

Going concern

The Company has net current liabilities and remains dependent on the performance of the LLP through the reimbursement of expenses and profit allocation from the LLP in order to be profitable. The director is not aware of any reason that this agreement will be terminated in the foreseeable future. The nature of the agreement with the Company allows a high degree of certainty that the Company will continue to be profitable and, historically, the Company has received income in a timely manner in order to manage its obligations (which are relatively predictable in nature).

The future profitability of the Group is dependent on the LLP and on maintaining a consistent level of assets under management from which to generate future revenues.

The director has reviewed operating and cash flow forecasts for a period of at least 12 months from the date of this report and is confident that the Company and the Group has sufficient resources to settle its liabilities in the ordinary course of business and is a going concern. As such, the consolidated financial statements have been prepared on a going concern basis.

Disclosure of information to auditor

The director at the time when this Director's report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company's and the Group's auditor is unaware, and
- he 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 and the Group's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

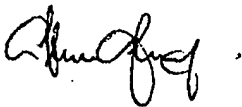
FAM Services Limited

Director's report (continued)
For the year ended 31 December 2016

Independent auditor

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 16 June 2017 and signed on its behalf by:



A D Stevens
Director

**Director's responsibilities statement
For the year ended 31 December 2016**

The director is responsible for preparing the Group strategic report, the Director's report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies 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 Group will continue in business.

The director is 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 the Group and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the shareholders of FAM Services Limited

We have audited the financial statements of FAM Services Limited ("the Company") and its subsidiaries (together 'the Group') for the year ended 31 December 2016, which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Statements of financial position, the Consolidated and Company Statements of changes in equity, the Consolidated Statement of cash flows and the related notes 1 to 21. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 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'.

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than 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 the Director and Auditor

As explained more fully in the Director's responsibilities statement on page 6, the director is 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group strategic report and the Director's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2016 and of the Group's 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.

Independent auditor's report to the shareholders of FAM Services Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

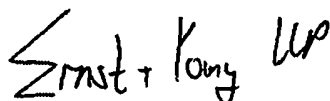
- the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any misstatements in the Group strategic report or the Director's report.

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Neil Parker (Senior statutory auditor)

For and on behalf of Ernst & Young LLP (Statutory Auditor)

London

Date: 21st JUNE 2017

FAM Services Limited

**Consolidated statement of comprehensive income
For the year ended 31 December 2016**

	<i>Note</i>	<i>2016</i> £	<i>2015</i> £
Turnover	4	18,950,317	13,867,005
Administrative expenses		(14,205,755)	(11,248,929)
Gain on financial assets held at fair value	10	11,710	2,558
Operating profit	5	4,756,272	2,620,634
Interest receivable and similar income	7	1,098	4,582
Unrealised loss on derivative contracts	15	(98,166)	(9,964)
Profit before taxation		4,659,204	2,615,252
Taxation	8	(286,285)	(250,551)
Profit for the year		<u>4,372,919</u>	<u>2,364,701</u>
Other comprehensive income for the year			
Unrealised gain on translation of overseas subsidiary		16,691	-
Transfer to income statement on maturity of derivative contract		178,261	174,604
Unrealised loss on derivative contracts		(417,811)	(178,261)
Total other comprehensive income for the year		<u>(222,859)</u>	<u>(3,657)</u>
Total comprehensive income for the year		<u>4,150,060</u>	<u>2,361,044</u>
Profit for the year is attributable to:			
Non-controlling interests		3,600,543	1,573,080
Owners of the Company		772,376	791,621
		<u>4,372,919</u>	<u>2,364,701</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interests		3,600,543	1,573,080
Owners of the Company		549,517	787,964
		<u>4,150,060</u>	<u>2,361,044</u>

The notes on pages 16 to 29 form part of these financial statements.

Consolidated statement of financial position
As at 31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	9	1,100,216	1,259,875
Investments	10	260,451	35,662
		<u>1,360,667</u>	<u>1,295,537</u>
Current assets			
Debtors: amounts falling due within one year	11	2,523,224	2,320,922
Cash and cash equivalents	12	7,018,733	2,371,632
		<u>9,541,957</u>	<u>4,692,554</u>
Creditors: amounts falling due within one year	13	(6,379,617)	(3,669,543)
Net current assets		<u>3,162,340</u>	<u>1,023,011</u>
Net assets		<u>4,523,007</u>	<u>2,318,548</u>
Capital and reserves			
Called up share capital	17	437,500	437,500
Share premium account		667,011	667,011
Cash flow hedge reserve		(417,811)	(178,261)
Foreign exchange reserve		16,691	-
Profit and loss account		1,507,026	734,650
Equity attributable to owners of the Company		<u>2,210,417</u>	<u>1,660,900</u>
Non-controlling interests		2,312,590	657,648
Total equity		<u>4,523,007</u>	<u>2,318,548</u>

The financial statements were approved and authorised for issue by the board on 16 June 2017 and were signed on its behalf by:


A D Stevens
 Director

The notes on pages 16 to 29 form part of these financial statements.


Company statement of financial position
As at 31 December 2016

	<i>Note</i>	<i>2016</i> £	<i>2015</i> £
Fixed assets			
Tangible assets	9	1,100,216	1,259,875
Investments	10	2,335,001	1,395,000
		<u>3,435,217</u>	<u>2,654,875</u>
Current assets			
Debtors: amounts falling due within one year	11	3,205,714	1,956,620
Cash and cash equivalents	12	148,401	68,565
		<u>3,352,271</u>	<u>2,025,185</u>
Creditors: amounts falling due within one year	13	(4,699,507)	(3,439,824)
Net current liabilities		<u>(1,346,477)</u>	<u>(1,414,639)</u>
Net assets		<u>2,088,740</u>	<u>1,240,236</u>
 Capital and reserves			
Called up share capital	17	437,500	437,500
Share premium account		667,011	667,011
Profit and loss account		984,229	135,725
Total equity		<u>2,088,740</u>	<u>1,240,236</u>

Company profit

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the Company for the year was £848,504 (2015: £311,856).

The financial statements were approved and authorised for issue by the board on 16 June 2017 and were signed on its behalf by:



A D Stevens
Director

The notes on pages 16 to 29 form part of these financial statements.

FAM Services Limited

Consolidated statement of changes in equity
For the year ended 31 December 2016

	<i>Called up share capital</i>	<i>Share premium account</i>	<i>Cash flow hedge reserve</i>	<i>Foreign exchange reserve</i>	<i>Profit and loss account</i>	<i>Equity attributable to owners of the Company</i>	<i>Non- controlling interests</i>	<i>Total equity</i>
	£	£	£	£	£	£	£	£
At 1 January 2016	437,500	667,011	(178,261)	-	734,650	1,660,900	657,648	2,318,548
Comprehensive income for the year								
Profit for the year	-	-	-	-	772,376	772,376	3,600,543	4,372,919
Unrealised gain on translation of overseas subsidiary	-	-	-	16,691	-	16,691	-	16,691
Transfer to profit and loss on maturity of derivative contract	-	-	178,261	-	-	178,261	-	178,261
Unrealised loss on derivative contracts	-	-	(417,811)	-	-	(417,811)	-	(417,811)
Total comprehensive income for the year	-	-	(239,550)	16,691	772,376	549,517	3,600,543	4,150,060
Repayment of capital to non-controlling interests	-	-	-	-	-	-	(5,000)	(5,000)
Distributions to non-controlling interests	-	-	-	-	-	-	(1,950,601)	(1,950,601)
Capital contributed by non-controlling interests	-	-	-	-	-	-	10,000	10,000
Total transactions with owners	-	-	-	-	-	-	(1,945,601)	(1,945,601)
At 31 December 2016	<u>437,500</u>	<u>667,011</u>	<u>(417,811)</u>	<u>16,691</u>	<u>1,507,026</u>	<u>2,210,417</u>	<u>2,312,590</u>	<u>4,523,007</u>

FAM Services Limited

**Consolidated statement of changes in equity
For the year ended 31 December 2015**

	<i>Called up share capital</i>	<i>Share premium account</i>	<i>Cash flow hedge reserve</i>	<i>Profit and loss account</i>	<i>Equity attributable to owners of the Company</i>	<i>Non- controlling interests</i>	<i>Total equity</i>
	£	£	£	£	£	£	£
At 1 January 2015	437,500	667,011	(174,604)	(56,971)	872,936	920,908	1,793,844
Comprehensive income for the year							
Profit for the financial year	-	-	-	791,621	791,621	1,573,080	2,364,701
Transfer to profit and loss on maturity of derivative contract	-	-	174,604	-	174,604	-	174,604
Unrealised loss on derivative contracts	-	-	(178,261)	-	(178,261)	-	(178,261)
Total comprehensive income for the year	-	-	(3,657)	791,621	787,964	1,573,080	2,361,044
Repayment of capital to non-controlling interests	-	-	-	-	-	(5,000)	(5,000)
Distributions to non-controlling interests	-	-	-	-	-	(1,831,340)	(1,831,340)
Total transactions with owners	-	-	-	-	-	(1,836,340)	(1,836,340)
At 31 December 2015	437,500	667,011	(178,261)	734,650	1,660,900	657,648	2,318,548

The notes on pages 16 to 29 form part of these financial statements.

FAM Services Limited

**Company statement of changes in equity
For the year ended 31 December 2016**

	<i>Called up share capital</i>	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£	£	£	£
At 1 January 2016	437,500	667,011	135,725	1,240,236
Comprehensive income for the year				
Profit for the year	-	-	848,504	848,504
At 31 December 2016	<u>437,500</u>	<u>667,011</u>	<u>984,229</u>	<u>2,088,740</u>

**Company statement of changes in equity
For the year ended 31 December 2015**

	<i>Called up share capital</i>	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£	£	£	£
At 1 January 2015	437,500	667,011	(176,131)	928,380
Comprehensive income for the year				
Profit for the year	-	-	311,856	311,856
At 31 December 2015	<u>437,500</u>	<u>667,011</u>	<u>135,725</u>	<u>1,240,236</u>

The notes on pages 16 to 29 form part of these financial statements.

FAM Services Limited

Consolidated statement of cash flows
For the year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	4,372,919	2,364,701
Adjustments for:		
Depreciation of tangible assets	265,870	280,752
Interest received	(1,098)	(4,582)
Unrealised loss from derivative contracts	98,166	9,964
Gain on financial assets held at fair value	(11,710)	(2,558)
Taxation charge	286,285	250,551
Increase in debtors	(208,315)	(307,639)
Increase in creditors	2,364,774	870,729
Corporation tax paid	(247,038)	(81,175)
Income tax paid	(25,850)	-
Net cash generated from operating activities	<u>6,894,203</u>	<u>3,380,743</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(106,211)	(140,384)
Purchase of unlisted and other investments	(215,097)	(14,225)
Sale of unlisted and other investments	2,018	29,885
Interest received	1,098	4,582
Net cash used in investing activities	<u>(318,192)</u>	<u>(120,142)</u>
Cash flows from financing activities		
Repayment of other loans	-	(247,181)
Distributions paid to non-controlling interests	(1,950,601)	(1,831,340)
Capital repaid to non-controlling interest	(5,000)	(5,000)
Capital introduced by non-controlling interests	10,000	-
Net cash used in financing activities	<u>(1,945,601)</u>	<u>(2,083,521)</u>
Net increase in cash and cash equivalents	<u>4,630,410</u>	<u>1,177,080</u>
Cash and cash equivalents at beginning of year	2,371,632	1,194,552
Unrealised gain on translation of foreign subsidiary	16,691	-
Cash and cash equivalents at the end of year	<u>7,018,733</u>	<u>2,371,632</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>7,018,733</u>	<u>2,371,632</u>

The notes on pages 16 to 29 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2016

1. General information

The Company is a limited liability company registered in England. The registered office and principal place of business is Marble Arch House, 66 Seymour Street, London, W1H 5BT.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis under the historical cost convention and in compliance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Group's accounting policies (see note 3).

2.1 Basis of consolidation

The consolidated financial statements present the results of Company and its subsidiaries detailed in note 10 ("the Group"). Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The Company remains dependent on the performance of the LLP through the reimbursement of expenses and profit allocation in order to be profitable. The director is not aware of any reason that this agreement will be terminated in the foreseeable future. The nature of the agreement with the LLP allows a high degree of certainty that the Company will continue to be profitable and, historically, the Company has received income in a timely manner in order to manage its obligations (which are relatively predictable in nature).

The future profitability of the Group is dependent on the LLP and on maintaining a consistent level of assets under management from which to generate future revenues.

The director has reviewed operating and cash flow forecasts for a period of at least 12 months from the date of this report and is confident that the Company and the Group has sufficient resources to settle its liabilities in the ordinary course of business and is a going concern. As such the consolidated financial statements have been prepared on a going concern basis.

**Notes to the financial statements
For the year ended 31 December 2016**

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The functional currency of the Company, Nominees and the LLP and the Group's presentational currency is Pound Sterling. The functional currency of the US LP is US Dollar (\$).

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 into the functional currency 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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, the results of overseas operations with a different functional currency are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.5 Revenue

Revenue is recognised on an accruals basis to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from fund management services is recognised in the period that the management services are performed and is based on an agreed percentage of the total funds under management of underlying funds. Performance fees are based on the performance of the funds under management and thus cannot be reliably determined until such time as they have crystallised and performance has been confirmed. As such performance fee revenue is only recognised when the fee has been crystallised.

2.6 Expenses

Except as noted below, expenses are recognised on an accruals basis in the period that the expenses are incurred.

**Notes to the financial statements
For the year ended 31 December 2016**

2. Accounting policies (continued)

2.7 Operating leases

Operating leases are those leases where the Group has use of an asset but where significantly all risks and rewards of ownership remain with the lessor and the lease term is not expected to be a significant portion of the useful life of the asset.

Rentals payable under operating leases are charged to the Statement of comprehensive income on a straight line basis over the term of the lease.

Any incentives to enter into an operating lease are credited to the Statement of comprehensive income as a reduction of the rental expense on a straight line basis over the term of the lease.

2.8 Employee benefits

Short term employee benefits:

Short term employee benefits are recognised in the Statement of comprehensive income in the period that services are received from employees on an accruals basis.

Long term employee benefits:

The Group has implemented a deferred bonus plan whereby a portion of the annual staff incentive granted to employees is deferred for a specified term, currently three years. The deferred incentive vests and becomes payable in equal tranches with each tranche payable annually on the anniversary of the grant date. The deferred incentive is charged to the Statement of comprehensive income on an accruals basis over the period that each tranche becomes payable.

2.9 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income on an accruals basis when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

2.10 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

2.11 Taxation

Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, 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.

**Notes to the financial statements
For the year ended 31 December 2016**

2. Accounting policies (continued)**2.11 Taxation (continued)**

The current income tax charge is calculated based on the tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position 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.

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

Income tax

Income tax represents the tax on the deferred profit allocations made to non-controlling interests by the LLP. The income tax is assessed on the LLP and is not recoverable from the non-controlling interests. The income tax is thus recognised as an expense in the statement of comprehensive income in the period that the profits arise and is calculated based on the tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.12 Tangible 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 improvements	- Over the lease term
Fixtures and fittings	- 4 years straight line
Office equipment	- 3 years straight line
Computer equipment	- 3 years straight line

2.13 Financial instruments

The Group has opted to apply the measurement and recognition criteria set out in Chapters 11 and 12 of FRS 102.

2.14 Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Any impairment is recognised in the Statement of Comprehensive Income

Notes to the financial statements
For the year ended 31 December 2016

2. Accounting policies (continued)

2.14 Investments (continued)

Unlisted investments are initially recognised at the transaction price and are subsequently recognised at fair value. Where a reliable fair value is not available for unlisted investments then those investments are measured at cost less accumulated impairment. Investments held at fair value are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period.

2.15 Debtors

Short term debtors are measured at transaction price, which equates to the amount expected to be received by the Group on settlement, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.17 Creditors

Short term creditors are measured at the transaction price, which equates to the amount expected to be paid by the Group to settle the obligation. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.18 Derivatives and hedge accounting

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

Hedges of forecast transactions are treated as cash flow hedges. The effective portion of the cash flow hedges is recognised as other comprehensive income in the Cash flow hedge reserve and is released against profit and loss when the forecast transaction is included in profit and loss. The in-effective portion of the cash flow hedges is recognised in the Income statement in the period that it occurs.

2.19 Non-controlling interest

Non-controlling interests represent capital contributions made by the LLP members and profits attributable to those members, net of draws taken in anticipation of profit allocations from the LLP. The capital amounts and profits are payable at the discretion of the Designated members of the LLP, which includes the Company.

Notes to the financial statements
For the year ended 31 December 2016

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In applying the Group's accounting policies, the director may be required to make judgements and estimates that could impact the amounts reported for assets and liabilities as at the Statement of financial position date and the amounts reported for revenues and expenses during the year.

The director considers the following to be significant accounting judgements made during the year:

- Valuation of investments
- Effectiveness of cash flow hedges
- The value of the deferred incentives that is expected to vest and become payable

The director's estimates are based on the evidence available at the time; including historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such estimates, the actual results and outcomes may differ. Estimates are reviewed on an on-going basis and revisions to accounting estimates are recognised in the year in which the estimate is revised.

The director is not aware of any significant sources of estimation uncertainty in the preparation of the financial statements.

4. Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Management fees	18,950,317	13,775,638
Performance fees	-	91,367
	<u>18,950,317</u>	<u>13,867,005</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
Europe	8,445,871	6,654,930
Rest of the world	10,504,446	7,212,075
	<u>18,950,317</u>	<u>13,867,005</u>

Fees arise from services provided to clients from the Group's registered place of business in the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible assets	265,870	280,752
Fees payable to the Group's auditor for the audit of the Company's annual financial statements	31,000	16,100
Fees payable to the Group's auditor for the audit of the Group's subsidiaries pursuant to legislation	7,000	6,000
Exchange differences	(25,591)	241,648
Other operating lease rentals	<u>713,437</u>	<u>658,436</u>

Notes to the financial statements
For the year ended 31 December 2016

5. Operating profit (continued)

The remuneration of the Company's Director is borne by the LLP through member allocations. These are not recharged to the Company. The costs associated with the services that the Director provides to the Company are considered to represent a small proportion of the overall responsibilities performed by the Director on behalf of the wider group and, accordingly, it is not considered feasible to allocate a proportion of the Director's overall remuneration to the Company.

The auditor did not receive any remuneration in respect of non-audit services provided during the year (2015: £nil).

6. Employees

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	7,441,067	5,414,982
Social security costs	579,180	761,690
Pension contributions	216,679	237,057
	<u>8,236,926</u>	<u>6,413,729</u>

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

	2016 No.	2015 No.
Investment management	49	45
Office and administration	2	2
	<u>51</u>	<u>47</u>

7. Interest receivable

	2016 £	2015 £
Bank interest receivable	<u>1,098</u>	<u>4,582</u>

**Notes to the financial statements
For the year ended 31 December 2016**

8. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	198,264	240,230
Adjustments in respect of previous years	25	-
Income tax on deferred profits	58,050	-
Income tax adjustment in respect of prior years	17,100	-
	<u>273,439</u>	<u>240,230</u>
Foreign tax		
Foreign tax on income for the year	6,833	16,924
	<u>280,272</u>	<u>257,154</u>
Total current tax		
Deferred tax		
Origination and reversal of timing differences	5,762	(6,603)
Effect of change in tax rates	251	-
	<u>6,013</u>	<u>(6,603)</u>
Total deferred tax (note 16)		
Taxation on profit on ordinary activities	<u>286,285</u>	<u>250,551</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>4,659,204</u>	<u>2,615,252</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	931,841	529,589
Effects of:		
Expenses not deductible for tax purposes	32,590	11,185
Depreciation in excess of capital allowances for the year	11,017	10,351
Adjustment for differences in taxes paid by foreign subsidiaries	(1,960)	8,469
Profits subject to higher rate	32,250	-
Profits attributable to non-controlling interests	(736,829)	(309,043)
Prior year adjustment	17,125	-
Effect of change in rate of tax	251	-
Total tax charge for the year	<u>286,285</u>	<u>250,551</u>

Notes to the financial statements
For the year ended 31 December 2016

8. Taxation (continued)**Factors that may affect future tax charges**

The UK Government legislated in the Finance (No.2) Act 2016, which received Royal Assent on 18 November 2016, to reduce the standard rate of UK corporation tax to 19% from 1 April 2017 and further to 18% from 1 April 2020. In the 2016 Finance Act, which received Royal Assent on 15 September 2016, the Government announced a further reduction in the rate of corporation tax to 17% from 1 April 2020. The reduced rates of UK corporation tax will affect future cash tax payments made by the Company

9. Tangible assets**Group and Company**

	<i>Leasehold improvements</i> £	<i>Fixtures and fittings</i> £	<i>Office equipment</i> £	<i>Computer equipment</i> £	<i>Total</i> £
Cost					
At 1 January 2016	1,037,044	379,513	37,094	1,047,927	2,501,578
Additions	967	15,971	650	88,623	106,211
At 31 December 2016	1,038,011	395,484	37,744	1,136,550	2,607,789
Depreciation					
At 1 January 2016	162,176	183,886	35,739	859,902	1,241,703
Charge for the year	106,810	20,237	668	138,155	265,870
At 31 December 2016	268,986	204,123	36,407	998,057	1,507,573
Net book value					
At 31 December 2016	769,025	191,361	1,337	138,493	1,100,216
At 31 December 2015	874,868	195,627	1,355	188,025	1,259,875

10. Investments**Group**

	<i>Unlisted investments</i> £
Cost or valuation	
At 1 January 2016	35,662
Additions	215,097
Disposals	(2,018)
Revaluations	11,710
At 31 December 2016	260,451

**Notes to the financial statements
For the year ended 31 December 2016**

10. Investments (continued)

The unlisted investments comprise notional holdings in the Funds managed by the LLP. These are held at fair value through profit or loss with the fair value being based on the net asset values provided by the fund administrators. The fund net asset values are equivalent to the fair value of the funds and are level 2 valuation inputs.

The disposal proceeds for the year disclosed above include a realised gain of £89 (2015: £3,003).

Investments with a carrying value of £219,729 (2015: £nil) are held under the Group's deferred incentive scheme.

Company

	<i>Investments in subsidiaries £</i>
Cost	
At 1 January 2016	1,395,000
Additions	940,001
At 31 December 2016	<u>2,335,001</u>

The addition represents a further capital contribution made to the LLP in order to maintain sufficient regulatory capital in the LLP.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Fulcrum Asset Management LLP	England	Capital	74.72%	Providing investment management and advisory services
Fulcrum Asset Management LP	USA	Capital	74.72%	Providing marketing services
Fulcrum Asset Management GP LLC	USA	Capital	74.72%	Providing investment management services (The entity is dormant)
FAM Services Nominees Limited	England	Ordinary	100%	Acting as a nominee entity

Notes to the financial statements
For the year ended 31 December 2016

11. Debtors

	<i>Group</i> 2016	<i>Group</i> 2015	<i>Company</i> 2016	<i>Company</i> 2015
	£	£	£	£
Trade debtors	-	16,629	-	16,629
Amounts owed by group undertakings	125,615	29,134	2,750,611	1,336,456
Other debtors	117,817	75,623	86,042	71,570
Prepayments and accrued income	2,274,829	2,188,560	363,013	431,641
Deferred taxation (note 16)	4,963	10,976	6,048	100,324
	<u>2,523,224</u>	<u>2,320,922</u>	<u>3,205,714</u>	<u>1,956,620</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

12. Cash and cash equivalents

	<i>Group</i> 2016	<i>Group</i> 2015	<i>Company</i> 2016	<i>Company</i> 2015
	£	£	£	£
Cash at bank and in hand	<u>7,018,733</u>	<u>2,371,632</u>	<u>148,401</u>	<u>68,565</u>

13. Creditors: Amounts falling due within one year

	<i>Group</i> 2016	<i>Group</i> 2015	<i>Company</i> 2016	<i>Company</i> 2015
	£	£	£	£
Trade creditors	92,463	340,955	88,713	340,955
Amounts owed to group undertakings	63,686	-	-	-
Corporation tax	198,289	240,205	198,289	240,205
Income tax	49,500	-	-	-
Other taxation and social security	139,780	139,547	139,780	139,547
Other creditors	126,199	11,134	125,319	11,134
Accruals and deferred income	5,183,759	2,749,477	4,147,406	2,707,983
Derivative financial instruments	525,941	188,225	-	-
	<u>6,379,617</u>	<u>3,669,543</u>	<u>4,699,507</u>	<u>3,439,824</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Included in accruals and deferred income disclosed above is an amount of £115,643 (2015: £nil) representing the portion of the deferred incentive that has been charged to the statement of comprehensive income during the year. At year end, the unvested portion of the deferred incentive amounted to £73,597 (2015: £nil).

Notes to the financial statements
For the year ended 31 December 2016

14. Financial instruments

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Financial assets				
Financial assets measured at fair value through profit or loss	260,451	35,662	196,313	-
Financial assets measured at amortised cost	2,015,589	1,771,400	2,552,862	1,354,647
Financial assets that are equity instruments measured at cost less impairment	-	-	2,335,001	1,395,000
	<u>2,276,040</u>	<u>1,807,062</u>	<u>5,087,176</u>	<u>2,749,647</u>
Financial liabilities				
Derivative financial instruments designated as hedges of fluctuations in foreign currencies	(525,941)	(188,225)	-	-
Financial liabilities measured at amortised cost	(5,466,107)	(3,101,566)	(4,361,438)	(3,060,072)
	<u>(5,992,048)</u>	<u>(3,289,791)</u>	<u>(4,361,438)</u>	<u>(3,060,072)</u>

Financial assets measured at fair value through profit or loss comprises the fund investments disclosed in note 11.

Financial assets that are classified as equity instruments measured at cost less impairment comprise the Company's investments in its subsidiaries as disclosed in note 11.

Financial assets measured at amortised cost comprise debtors disclosed in note 12 but excludes prepayments and taxes recoverable of £507,635 (2015: £549,522) for the Group and £453,239 (2015: £601,973) for the Company.

Derivative financial instruments included in note 14 are forward foreign exchange contracts.

Financial liabilities measured at amortised cost comprise creditors disclosed in note 14 excluding taxation payable of £387,569 (2015: £379,752), for the Group and Company £338,069 (2015: £379,752), and the financial instruments which are derivative financial instruments.

15. Derivative financial instruments

The financial instruments included in note 14 represents the fair value of the forward currency contracts in place at the year end. Forward currency contracts are used to mitigate the risk of fluctuations in the expected net revenue of the Group that is denominated in foreign currencies. In prior years, the Group focused on hedging the risks of fluctuations in revenue quoted in US dollars. There has been an increase in revenue generated from Australian funds and thus the Group has included revenue quoted in Australian dollars in its risk management activity. At year end the principal amount of forward contracts amounted to \$5,300,000 (2015: \$4,700,000) and AU\$9,100,000 (2015: AU\$nil). The total contractual redemption value of all unexpired forward contracts at year end amounted to £9,134,922 (2015: £2,999,908).

Notes to the financial statements
For the year ended 31 December 2016

15. Derivative financial instruments (continued)

The forward currency contracts are a hedge against the variability of the cash and cash equivalents and accrued income, held in foreign currency by the Group, of \$2,639,604 (2015: \$2,575,739) and AU\$2,415,795 (2015: AU\$nil) and future forecast net revenue of \$2,660,396 (2015: \$2,124,261) and AU\$6,684,205 (2015: AU\$nil) which is expected to be recognised in the Statement of comprehensive income over the crystallised over the period to the end of October 2017 (2015: July 2016).

During the year an amount of £178,261 (2015: £174,604) was transferred to the statement of comprehensive income from the cash flow hedge reserve in respect of the forecast transactions that occurred during the year and was offset against the corresponding foreign exchange difference that was recognised within administrative expenses. An unrealised loss of £417,811 (2015: £178,261) on the forward currency contracts expected to mature over the next year has been recognised in other comprehensive income while a loss of £98,166 (2015: £9,964), representing the ineffective element of the hedge relationship, has been charged directly to the statement of comprehensive income. These unrealised losses will be offset in the future by an increase in the cash flows expected from the hedged items as a result of the changes in the foreign currency exchange rates.

16. Deferred taxation

Group

	2016 £
At beginning of year	10,976
Charged to the Statement of comprehensive income (note 8)	(6,013)
At end of year	<u>4,963</u>

Company

	2016 £
At beginning of year	100,324
Credited to the Statement of comprehensive income	(94,274)
At end of year	<u>6,048</u>

The deferred tax asset is made up as follows:

	Group 2016 £	Company 2016 £
Accelerated capital allowances	4,963	4,963
Income taxed in advance of receipt	-	1,085
	<u>4,963</u>	<u>6,048</u>

Notes to the financial statements
For the year ended 31 December 2016

17. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
437,500- Ordinary shares of £1 each	<u>437,500</u>	<u>437,500</u>

18. Pension commitments

At the year end pension contributions for the year totalling £1,471 (2015: £31,000) were payable.

19. Commitments under operating leases

At 31 December 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Not later than 1 year	713,958	514,441	713,958	514,441
Later than 1 year and not later than 5 years	2,855,830	2,855,830	2,855,830	2,855,830
Later than 5 years	1,469,726	2,183,684	1,469,726	2,183,684
	<u>5,039,514</u>	<u>5,553,955</u>	<u>5,039,514</u>	<u>5,553,955</u>

20. Related party transactions

During the year, the Group received management and performance fees of £6,467,022 (2015: £7,138,066) from Fulcrum Asset Management Limited, the Company's parent undertaking. At 31 December 2016, Fulcrum Asset Management Limited owed the Group £61,929 (2015: £29,134).

Key management personnel

The key management personnel of the Group are the Company's director and the non-controlling interests who are members of the LLP. The aggregate of transactions with key management personnel is disclosed in the consolidated statement of changes in equity on page 12 and in note 6.

21. Ultimate parent company and controlling party

The Company's immediate and ultimate parent undertaking is Fulcrum Asset Management Limited, a company registered in the Cayman Islands.

The group headed by the Company is the largest and smallest group that prepares consolidated financial statements which include the results and financial position of the Company.