

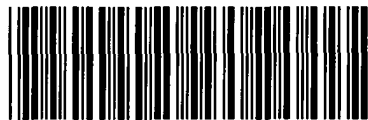
Registered number: 05195355

**BASSO ASSOCIATES UK LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

TUESDAY



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**BASSO ASSOCIATES UK LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

H. Fischer  
D. Nelson

**COMPANY SECRETARY**

Jordan Company Secretaries Limited

**REGISTERED NUMBER**

05195355

**REGISTERED OFFICE**

20-22 Bedford Row  
London  
WC1R 4JS

**INDEPENDENT AUDITOR**

Moore Stephens LLP  
150 Aldersgate Street  
London  
EC1A 4AB

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**BASSO ASSOCIATES UK LIMITED**

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## BASSO ASSOCIATES UK LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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#### INTRODUCTION

The financial statements of the company are drawn up for the year ended 31 December 2016. Except where otherwise indicated, all financial information is presented in GBP.

The company is a United Kingdom company limited by shares. It is both incorporated and domiciled in England and Wales. The address of its registered office is 20-22 Bedford Row, London, WC1R 4JS.

#### BUSINESS REVIEW

The company acts as sub-advisor to Basso Capital Management, L.P. ("BCM"), which is the investment manager for various Basso funds identified in the Form ADV I on file with the SEC as well as the sub-advisor to other non-BCM funds, such as those falling under 1940 Act regulations in the U.S. or UCITS regulations in Europe (the "Funds"). In its capacity as sub-advisor to BCM, the company provides investment recommendations, advice, due diligence and research services to BCM, pursuant to the terms of an Amended and Restated Sub-Advisory and Management Agreement dated as of November 1, 2007 (the "Sub-Advisory Agreement"). The company is subject to the risk that regulatory and other changes (including changes affecting the taxation of the company) could impact the manner in which the company currently operates.

The company bears all costs and expenses incurred by it in connection with the provision of services under the Sub-Advisory Agreement. The company receives compensation from BCM in the form of an annual fee in an amount equal to (i) the costs and expenses referred to in the preceding sentence, plus (ii) 10% of the amount referred to in clause (i) of this sentence or such additional amounts as the company and BCM may mutually agree from time to time.

The company is dependent on the support of and fees paid by BCM, as its parent and as the counterparty to the Sub-Advisory Agreement. BCM receives management and performance based compensation from the Funds. In the event of a material adverse effect on the financial condition of BCM, it is likely that the financial condition of the company would be materially and adversely affected. However, the company currently does not anticipate any material changes to its business or results in 2017.

#### PRINCIPAL RISKS AND UNCERTAINTIES

The services provided carry no perceivable commercial risk whilst BCM requires such services as noted above. As such, the greatest risk faced by the company is its dependence on BCM continuing to fund the company via the Sub-Advisory Agreement and the underlying performance of the Funds. While compliance, financial and operational risks faced by the company are minimal, the directors assess these on a regular basis to ensure this remains accurate.

#### FINANCIAL KEY PERFORMANCE INDICATORS

Due to the relationship between BCM and the company as noted above, the directors do not use any financial key performance indicators to assess the business other than ensuring the company has the required equity to cover its capital requirement stipulated by the Financial Conduct Authority.

This report was approved by the board on 24-APRIL-2017

and signed on its behalf.

D. Nelson  
Director



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## **BASSO ASSOCIATES UK LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors present their report and the financial statements for the year ended 31 December 2016.

#### **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). Under company law the directors must not approve the financial statements unless satisfied that they 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.

#### **PRINCIPAL ACTIVITY**

The company's principal activity is as a sub-advisor to Basso Capital Management, L.P. ("BCM"), the company provides investment recommendations, advice, due diligence and research services to BCM.

The company is a private company limited by shares organised under the laws of England and Wales. The company is a wholly-owned subsidiary of BCM, a U.S. Delaware Limited Partnership that is an investment advisor registered with the U S Securities and Exchange Commission ("SEC").

The company is authorised and regulated by the Financial Conduct Authority to carry on regulated activities under the Financial Services and Markets Act 2000 of the UK.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £38,234 (2015 - £61,309).

No dividends were paid or proposed during the year (2015 - £Nil).

#### **DIRECTORS**

The directors who served during the year were:

H. Fischer  
D. Nelson

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**BASSO ASSOCIATES UK LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**FUTURE DEVELOPMENTS**

The company expects to continue with its present activities.

**DISCLOSURE OF INFORMATION TO AUDITOR**

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 auditor is 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 auditor is aware of that information.

**EVENTS AFTER THE REPORTING PERIOD END**

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

This report was approved by the board on *24- April- 2017* and signed on its behalf.

  
D. Nelson  
Director

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## **BASSO ASSOCIATES UK LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BASSO ASSOCIATES UK LIMITED**

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We have audited the financial statements of Basso Associates UK Limited for the year ended 31 December 2016, set out on pages 6 to 17. The relevant financial reporting framework that has been applied in their preparation is the applicable law and United Kingdom Accounting Standards (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 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 DIRECTORS AND AUDITOR**

As explained more fully in the Directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' 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 company's affairs as at 31 December 2016 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.

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**BASSO ASSOCIATES UK LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BASSO ASSOCIATES UK LIMITED  
(CONTINUED)**

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**OPINIONS 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 those financial statements and such reports 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 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

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

*Jeremy Watkins*

Jeremy Watkins (Senior statutory auditor)

for and on behalf of  
**Moore Stephens LLP, Statutory auditor**

150 Aldersgate Street  
London

EC1A 4AB

Date: 24 April 2017



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**BASSO ASSOCIATES UK LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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	Note	2016 £	2015 £
Turnover	2.2	524,925	840,273
<b>GROSS PROFIT</b>		<b>524,925</b>	<b>840,273</b>
Administrative expenses		(477,196)	(763,885)
<b>OPERATING PROFIT</b>	4	<b>47,729</b>	<b>76,388</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>47,729</b>	<b>76,388</b>
Taxation on profit on ordinary activities	7	(9,495)	(15,079)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>38,234</b>	<b>61,309</b>

The notes on pages 10 to 17 form part of these financial statements.

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**BASSO ASSOCIATES UK LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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	<b>Called up share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2016	50,000	608,211	658,211
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>			
Profit for the year	-	38,234	38,234
At 31 December 2016	50,000	646,445	696,445

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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	<b>Called up share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2015	50,000	546,902	596,902
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>			
Profit for the year	-	61,309	61,309
At 31 December 2015	50,000	608,211	658,211

The notes on pages 10 to 17 form part of these financial statements.

**BASSO ASSOCIATES UK LIMITED**  
**REGISTERED NUMBER: 05195355**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Note	2016 £	2015 £
<b>FIXED ASSETS</b>			
Tangible Fixed Assets	8	6,851	-
		<u>6,851</u>	<u>-</u>
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	9	283,157	613,472
Cash at bank and in hand	10	621,142	616,072
		<u>904,299</u>	<u>1,229,544</u>
Creditors: amounts falling due within one year	11	(214,705)	(571,333)
<b>NET CURRENT ASSETS</b>		<u>689,594</u>	<u>658,211</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>696,445</u>	<u>658,211</u>
<b>NET ASSETS</b>		<u><u>696,445</u></u>	<u><u>658,211</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	50,000	50,000
Profit and loss account		646,445	608,211
		<u>696,445</u>	<u>658,211</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
24-APRIL-2017

**D. Nelson**  
Director

The notes on pages 10 to 17 form part of these financial statements.

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**BASSO ASSOCIATES UK LIMITED**

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**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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	2016 £	2015 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the financial year	38,234	61,309
<b>ADJUSTMENTS FOR:</b>		
Depreciation	3,015	-
Taxation	9,495	15,079
Decrease in debtors	4,529	4,708
Decrease/(Increase) in amounts owed by groups	325,785	(393,672)
(Decrease)/Increase in creditors	(350,844)	356,681
Corporation tax paid	(15,278)	(7,036)
<b>Net cash generated from operating activities</b>	<b>14,936</b>	<b>37,069</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets	(9,866)	-
<b>Net cash from Investing activities</b>	<b>(9,866)</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,070</b>	<b>37,069</b>
Cash and cash equivalents at beginning of year	616,072	579,003
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>621,142</b>	<b>616,072</b>
Cash at bank and in hand	621,142	616,072

The notes on pages 10 to 17 form part of these financial statements.

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## **BASSO ASSOCIATES UK LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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#### **1. GENERAL INFORMATION**

Basso Associates UK Limited ('the company') is a United Kingdom private company limited by shares. It is both incorporated and domiciled in England and Wales. The address of its registered office is 20-22 Bedford Row, London, WC1R 4JS.

The company's principal activity is as a sub-advisor to Basso Capital Management, L.P. ("BCM"), the company provides investment recommendations and advice and due diligence and research services to BCM.

These financial statements are prepared in accordance with Financial Reporting Standard 102 (FRS 102), and are presented in Pounds Sterling (GBP), as that is the currency in which the majority of the company's transactions are denominated. They comprise the financial statements of the company drawn up for the year ended 31 December 2016. Except where otherwise indicated, all financial information is presented in GBP.

#### **2. ACCOUNTING POLICIES**

##### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the United Kingdom 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. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### **2.2 Turnover**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding value added tax.

All turnover arose within the U.S.

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## BASSO ASSOCIATES UK LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.3 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.

The estimated useful lives range as follows:

Fixtures & fittings	- 4 years
Computer equipment	- 3 years

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 within 'other operating income' in the Statement of comprehensive income.

### 2.4 Operating leases: the company as lessee

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

### 2.5 Debtors

Short term debtors are measured at transaction price, less any impairment.

### 2.6 Cash and cash equivalents

Cash and cash equivalents is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

### 2.7 Financial instruments

Financial instruments are recognised in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are measured as set out below. A financing transaction is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS 102.

At the end of each reporting period, debt instruments classified as basic are measured at amortised cost using the effective interest rate method. All of the company's financial instruments are classified as 'basic' in accordance with chapter 11 of FRS 102.

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**BASSO ASSOCIATES UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**2. ACCOUNTING POLICIES (CONTINUED)**

**2.7 Financial instruments (continued)**

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

**2.8 Creditors**

Short term creditors are measured at the transaction price.

**2.9 Foreign currency translation**

The company's functional and presentational currency is GBP.

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.

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 profit or loss for the year

**2.10 Taxation**

Tax is recognised in profit or loss for the year, 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 reporting date in the countries where the company operates and generates income.

**3. JUDGEMENTS IN ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Management have not been required to make any key estimates or judgements when preparing the financial statements.

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**BASSO ASSOCIATES UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**4. OPERATING PROFIT**

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	3,015	-
Exchange differences	21,088	1,462

**5. AUDITOR'S REMUNERATION**

	2016 £	2015 £
Fees payable to the company's auditor for the audit of the company's annual accounts	7,200	7,350
	7,200	7,350

**FEES PAYABLE TO THE COMPANY'S AUDITOR IN RESPECT OF:**

Other services relating to taxation	6,850	4,250
All other services	21,841	21,000
	28,691	25,250

**6. EMPLOYEES**

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	306,390	598,509
Social security costs	41,767	78,060
	348,157	676,569

The directors received no (2015 - £nil) remuneration during the year.

Directors are the only individuals considered to be key management.

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

2016 No.	2015 No.
3	3



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**BASSO ASSOCIATES UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**7. TAXATION**

	2016 £	2015 £
<b>CORPORATION TAX</b>		
Current tax on profits for the year	9,495	15,278
Adjustments in respect of previous periods	-	(199)
	<u>9,495</u>	<u>15,079</u>
<b>Total current tax</b>	<u>9,495</u>	<u>15,079</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%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>47,729</u>	<u>76,388</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	9,546	15,278
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	40	-
Capital allowances for year in excess of depreciation	(91)	-
Adjustments to tax charge in respect of prior periods	-	(199)
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<u>9,495</u>	<u>15,079</u>

**BASSO ASSOCIATES UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

**8. TANGIBLE FIXED ASSETS**

	Fixtures & fittings £	Computer equipment £	Total £
<b>COST OR VALUATION</b>			
At 1 January 2016	12,919	2,660	15,579
Additions	9,866	-	9,866
Disposals	(12,919)	(2,660)	(15,579)
At 31 December 2016	<u>9,866</u>	<u>-</u>	<u>9,866</u>
<b>DEPRECIATION</b>			
At 1 January 2016	12,919	2,660	15,579
Charge for the period on owned assets	3,015	-	3,015
Disposals	(12,919)	(2,660)	(15,579)
At 31 December 2016	<u>3,015</u>	<u>-</u>	<u>3,015</u>
<b>NET BOOK VALUE</b>			
At 31 December 2016	<u><u>6,851</u></u>	<u><u>-</u></u>	<u><u>6,851</u></u>
At 31 December 2015	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**9. DEBTORS**

	2016 £	2015 £
Amounts owed by group undertakings	272,593	598,377
Other debtors	6,276	8,382
Prepayments and accrued income	4,288	6,713
	<u><u>283,157</u></u>	<u><u>613,472</u></u>

**10. CASH AND CASH EQUIVALENTS**

	2016 £	2015 £
Cash at bank and in hand	621,142	616,072
	<u><u>621,142</u></u>	<u><u>616,072</u></u>

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**BASSO ASSOCIATES UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**11. CREDITORS: Amounts falling due within one year**

	2016 £	2015 £
Corporation tax	9,495	15,278
Taxation and social security	6,405	4,600
Accruals and deferred income	198,805	551,455
	<u>214,705</u>	<u>571,333</u>

**12. FINANCIAL INSTRUMENTS**

	2016 £	2015 £
<b>FINANCIAL ASSETS</b>		
Financial assets measured at fair value through profit or loss	621,142	616,072
Financial assets that are debt instruments measured at amortised cost	278,869	606,759
	<u>900,011</u>	<u>1,222,831</u>
<b>FINANCIAL LIABILITIES</b>		
Financial liabilities measured at amortised cost	(198,805)	(551,455)
	<u>(198,805)</u>	<u>(551,455)</u>

Financial assets that are debt instruments measured at amortised cost comprise of cash and cash equivalents and trade and other debtors.

Financial liabilities measured at amortised cost comprise of accrued expenses.

**13. SHARE CAPITAL**

	2016 £	2015 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

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**BASSO ASSOCIATES UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**14. COMMITMENTS UNDER OPERATING LEASES**

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

	2016 £	2015 £
Not later than 1 year	15,491	22,692
Later than 1 year and not later than 5 years	-	1,891
<b>Total</b>	<b>15,491</b>	<b>24,583</b>

During the year £23,191 (2015 - £22,545) was charged to profit or loss in respect of non-cancellable rental agreements.

**15. RELATED PARTY TRANSACTIONS**

The directors' have chosen to take the exemption under FRS102 section 33.1A not to disclose transactions between the company and its parent, Basso Capital Management, L.P.

**16. CONTROLLING PARENT**

The company is owned and controlled by Basso Capital Management, L.P., a U.S. Delaware Limited Partnership.

## **Basso Associates UK Limited**

### **Pillar III disclosure**

#### **Basso Associates UK Limited – Pillar 3 disclosure as at 31 December 2016**

Basso Associates UK Limited ("BAUK" or "the Firm") is authorised and regulated by the Financial Conduct Authority ("FCA") and as such is subject to certain disclosure requirements.

On 1 January 2014, the new Capital Requirements Directive and Regulation ("CRD IV") took effect in the United Kingdom. Due to the scope of the Firm's activities, BAUK opted out of CRD IV and applied for a requirement to be added to its permission as a 'BIPRU firm - MiFID activity restriction'. BAUK is subject to the Capital Requirements Directive ('CRD III').

BAUK is therefore categorized as a BIPRU firm for prudential purposes as at 31 December 2016.

This Pillar 3 disclosure is produced in accordance with the disclosure requirements established under the CRD III and transposed into BIPRU 11 as applicable to the Firm in its capacity as a BIPRU firm. The CRD established a regulatory capital framework across Europe governing the amount and nature of capital that credit institutions and investment firms must maintain.

In the United Kingdom, the CRD was implemented into national law and the relevant requirements are included in the FCA Handbook, specifically in the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital requirement calculated on the basis of the firm's credit and market risk component;
- Pillar 2 requires the Firm to assess whether its Pillar 1 capital is adequate and to evaluate the impact that any other risk types have on the firm's capital requirement; and
- Pillar 3 requires disclosure of specific information about the firm's risk management controls, capital adequacy and remuneration.

The rules in BIPRU 11 set out the provisions for Pillar 3 disclosures and this document is designed to meet our obligations according to the relevant FCA rules at that time.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would not be likely to change or influence the decision of a reader relying on that information.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have made no omissions of information on the grounds that it is immaterial, proprietary or confidential

## **Basso Associates UK Limited**

### **Pillar III disclosure**

#### **Background information**

BAUK is a wholly owned subsidiary of Basso Capital Management, L.P. ("BCM"). BCM is an investment manager registered with the Securities and Exchange Commission ("SEC") and provides investment management services to various private investment funds formed for the purpose of receiving subscriptions from qualified investors within and outside the United States. The business purpose of BAUK is to provide investment advisory and management services to BCM. BCM is BAUK's sole client and BAUK's sole shareholder. The fees payable by BCM represent the principal revenue item for BAUK under the Sub-Advisory Agreement in place between the two entities.

BAUK does not have custody of any client assets and does not receive funds or subscription proceeds from any clients of BCM.

#### **Risk management**

The Firm is governed by its Directors who determine the Firm's business model, strategy and risk appetite. The Directors meet periodically to discuss current projections for profitability, cash flow, regulatory capital requirements, and business planning. They are also responsible for establishing and maintaining the Firm's governance arrangements along with designing and implementing an effective risk management framework to identify, monitor and mitigate all of the risks that the business faces. The Directors manage the Firm's risks through this risk management framework supported by policies and processes implemented according to the relevant laws, standards and rules. These policies and processes are updated regularly as required.

The Firm's risk management framework is implemented and governed by the Directors of the Firm and senior management of both the Firm and BCM. Senior management is responsible for continually reviewing and monitoring the internal controls in place to identify, monitor and mitigate all the risks the Firm faces and reports regularly to the Directors. Due to the size of the Firm and the nature of its business there is not a separate risk committee. The Directors and senior management work closely together on a daily basis and discuss any potential risks that may arise regularly.

As required according to GENPRU 1.2 and the overall Pillar 2 rule, the Firm maintains an Internal Capital Adequacy Assessment Process document ('ICAAP') to establish whether the Firm is required to hold any additional capital to cover any risks the Firm is exposed to which are not fully captured under the Pillar 1 capital requirements.

The risk assessment completed by the Firm has identified three types of risk that may potentially be material:

- Credit risk;
- Operational risk;
- Liquidity risk.

Senior management prepares an annual ICAAP and its contents are thoroughly reviewed and challenged by the Directors. Where the Directors identify material risks, they consider the financial impact that those risks may have on the Firm and conclude whether the allocation of any additional resources over the Pillar 1 regulatory capital is required. The Firm completes an ICAAP document based on the risk assessment annually as noted above.

Upon completing the ICAAP for the financial year ended 31 December 2016, the Firm believes it has adequate capital resources and no additional Pillar 2 capital is required, when considering that the only material risk the Directors have identified is credit risk.

## Basso Associates UK Limited

### Pillar III disclosure

#### Regulatory capital

As a BIPRU firm, BAUK is required to hold regulatory capital as the highest of:

- its base capital requirement of €50,000;
- the sum of its market and credit risk requirements; and
- its Fixed Overhead Requirement.

The relevant calculations of capital adequacy as at 31 December 2016 are shown in the table below:

Capital item	£'000
Tier 1 Capital (share capital and retained earnings)	696
Tier 2 Capital	0
Tier 3 Capital	0
Deductions	0
<b>Total Regulatory Capital</b>	<b>696</b>

Capital requirement	£'000
Base Capital Resource Requirement	43
Market Risk component	15
Credit Risk component	33
Fixed Overhead Requirement	56
Pillar 2 capital	0
<b>Total Regulatory Capital Requirement</b>	<b>56</b>
Surplus	<b>640</b>

BAUK's Credit Risk Capital Requirement is made up of the Credit Risk Capital Component and the Counterparty Risk Capital Component.

The Credit Risk Capital Component is calculated in accordance with BIPRU 3.5 – The Simplified Method. The Firm makes an 8% adjustment on all fixed assets, debtors and prepayments and a 1.6% adjustment on all bank balances in accordance with BIPRU 3.4.127 – 3.1.133, resulting in a Credit Risk Requirement of £33,000.

BAUK, due to the nature of its activities does not have any counterparty risk.

## **Basso Associates UK Limited**

### **Pillar III disclosure**

Market risk is calculated on the basis of the Standardised approach as per BIPRU 7 by applying an 8% adjustment to those foreign exchange exposures held in the firm's balance sheet in a different currency. This process has resulted in a Market Risk requirement of £15,000.

Under GENPRU 2.1.53, as at 31 December 2016, the Firm calculated its Fixed Overhead Requirement as £56,000.

The Firm's Total Regulatory Capital Requirement as at 31 December 2016 is the Fixed Overhead Requirement, which amounts to £56,000 as the highest Pillar 1 requirement.

Further to the risk assessment undertaken in the ICAAP, the Firm considers that the surplus of Pillar 1 capital maintained by the Firm is sufficient to cover all risk exposures and no additional Pillar 2 capital is required.

The Firm currently meets its capital adequacy requirements and the surplus of regulatory capital held at financial year end was £640,000.

### **Remuneration Code disclosure**

#### **Introduction**

This disclosure is being made by the Firm in its capacity as a BIPRU firm in accordance with the Pillar 3 disclosure requirements as set out in BIPRU 11.5.18 as at 31 December 2016 as a result of the Remuneration Code that came into force on 1 January 2011.

Since 1 January 2014 BAUK is categorized as a BIPRU firm and refers to the appropriate Remuneration Code in SYSC 19C and proportionality guidance as applicable to a BIPRU firm.

The Remuneration Code affects all those members of staff who have a material impact on the Firm's risk profile, including a person who performs a significant influence function for a firm, a senior manager and risk takers. A senior manager is defined as an individual employed by the Firm to whom the governing body (or a member of the governing body) of the Firm has given responsibility for management and supervision, and who reports directly to the governing body, a member of the governing body, the chief executive, or the head of a significant business group.

The Firm has established and maintains remuneration policies, procedures and practices that are consistent with and promote effective risk management and prevent exposure to excessive risk.

The two Directors of BAUK decide on a discretionary basis the amount of variable remuneration that a Remuneration Code staff will receive as a result of their performance. This is governed by considering the performance of the Firm overall, the individual staff member's performance and by ensuring that payment of remuneration does not affect the Firm's ability to meet its capital and liquidity requirements. In accordance with the proportionality guidance for a BIPRU firm, BAUK does not have a specific remuneration committee. The Directors formulate and determine the Firm's remuneration policy. Performance is measured against the overall profitability generated by Remuneration Code staff over the relevant performance year.

The Firm had 3 Remuneration Code staff, all of them representing senior management, as at 31 December 2016. The advisory services provided to BCM represent BAUK's sole business purpose. The aggregate amount of applicable remuneration paid to Remuneration Code staff during the period was £306,390.