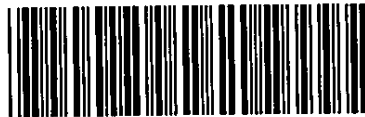


FM Capital Partners Limited

Report And Financial Statements

31 December 2014

WEDNESDAY



L4FKKWM8

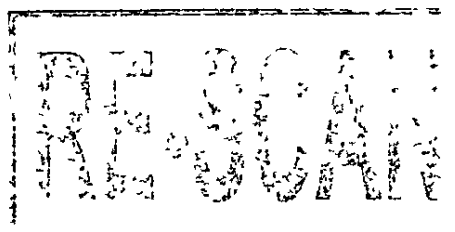
LD2

09/09/2015

#85

COMPANIES HOUSE

Rees Pollock
Chartered Accountants



16/9/15 135 (F/E/S)

FM Capital Partners Limited

COMPANY INFORMATION

Directors	F Marino W Ashur A Kashadah S Creu R Turner Lord Hamilton of Epsom
Registered office	4th Floor 1 Knightsbridge London SW1X 7LX
Auditors	Rees Pollock 35 New Bridge Street London EC4V 6BW
Bankers	British Arab Commercial Bank plc 8-10 Mansion House Place London EC4N 8BJ
Registered number	06952225

STRATEGIC REPORT

For the year ended 31 December 2014

Principal activities and business review

The principal activity of the company during the period was that of fund management. The directors intend to continue to develop the business.

Principal risks and uncertainties

The principal risk for FM Capital Partners Limited derives from the sanction regime still in place against the assets of the Libyan Investment Authority (LIA) and its subsidiaries (including Libya Africa Investment Portfolio which is the controlling shareholder of FM Capital Partners Limited). The Company has obtained all the licenses to manage the assets normally and while operating under the sanctions has experienced limited impediments to the continued normal operations. The directors do not expect the sanctions to be lifted in the near future.

Key performance indicators

Given the straight forward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the company. However, this position is currently under review by the directors and may change in the near future.

Research and development activities

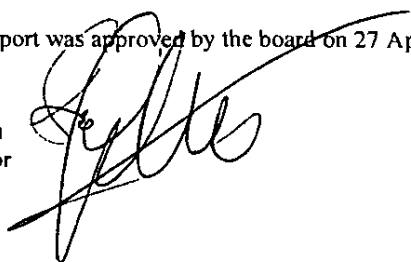
We plan to continue to invest in people, information technology and telecommunications to improve our service and processes. The directors regard this investment in personnel and in the business' infrastructure as integral to the continuing success of the business.

Future outlook

The Company is currently looking to improve its infrastructure and product offering in order to provide a better service to clients. In parallel, the Company continues to seek opportunities for growth, and to increase assets under management, concentrating on FM Capital's product offering tailored to institutional investors and the added value that the Company's Financial Education Programme can offer to investors.

This report was approved by the board on 27 April 2015 and signed on its behalf

S Creu
Director



DIRECTORS' REPORT

For the year ended 31 December 2014

The directors present their report and the financial statements for the year ended 31 December 2014

Results and dividends

The profit for the year, after taxation, amounted to £802,914 (2013 - £2,707,970)

Particulars of dividends declared are detailed in note 13 to the accounts

Directors

The directors who served during the year were

R Haggiagi (resigned 6 February 2015)

F Manno

W Ashur

A Kashadah

S Creu (appointed 4 April 2014)

A Bessot (resigned 24 January 2014)

Subsequently, R Turner and Lord Hamilton of Epsom were appointed as directors on 6 February 2015

Directors' responsibilities statement

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies 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.

Pillar III disclosure

The firm has documented the disclosures required by the FCA under BIPRU 11. These can be found at <http://www.complyport.com/disclosures>

DIRECTORS' REPORT

For the year ended 31 December 2014

Provision of information to auditors

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

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

Auditors

The auditors, Rees Pollock, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board on 27 April 2015 and signed on its behalf



S Creu
Director

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
FM CAPITAL PARTNERS LIMITED**

We have audited the financial statements of FM Capital Partners Limited for the year ended 31 December 2014, set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is 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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement, 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 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 2014 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.

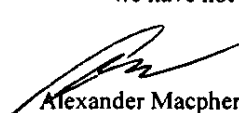
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Alexander Macpherson (Senior statutory auditor)
for and on behalf of
Rees Pollock, Statutory Auditor

27 April 2015

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2014

	Note	2014 £	2013 £
TURNOVER	1,2	10,267,407	11,394,008
Administrative expenses		(9,216,945)	(7,916,633)
OPERATING PROFIT	3	1,050,462	3,477,375
Interest receivable and similar income		489	1,494
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,050,951	3,478,869
Tax on profit on ordinary activities	7	(248,037)	(770,899)
PROFIT FOR THE FINANCIAL YEAR	12	802,914	2,707,970

All amounts relate to continuing operations

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account

The notes on pages 8 to 14 form part of these financial statements

BALANCE SHEET
As at 31 December 2014

	Note	£	2014 £	£	2013 £
FIXED ASSETS					
Tangible assets	8		133,476		263,511
CURRENT ASSETS					
Debtors	9	3,944,710		4,760,612	
Cash at bank		1,428,449		3,704,706	
		<u>5,373,159</u>		<u>8,465,318</u>	
CREDITORS: amounts falling due within one year	10	<u>(2,085,936)</u>		<u>(4,548,837)</u>	
NET CURRENT ASSETS			3,287,223		3,916,481
NET ASSETS			<u>3,420,699</u>		<u>4,179,992</u>
CAPITAL AND RESERVES					
Called up share capital	11		600,000		600,000
Profit and loss account	12		<u>2,820,699</u>		<u>3,579,992</u>
SHAREHOLDERS' FUNDS	13		<u>3,420,699</u>		<u>4,179,992</u>

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

S Creu
Director

Date 27 April 2015

A Kashadah
Director

Date 27 April 2015

The notes on pages 8 to 14 form part of these financial statements

CASH FLOW STATEMENT

For the year ended 31 December 2014

	Note	2014 £	2013 £
Net cash flow from operating activities	15	1,535,946	1,409,319
Returns on investments and servicing of finance	16	489	1,494
Taxation		(996,161)	(479,771)
Capital expenditure and financial investment	16	(27,837)	(50,784)
Equity dividends paid		(2,788,694)	(1,156,236)
DECREASE IN CASH IN THE YEAR		(2,276,257)	(275,978)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

For the year ended 31 December 2014

	2014 £	2013 £
Decrease in cash in the year	(2,276,257)	(275,978)
MOVEMENT IN NET FUNDS IN THE YEAR	(2,276,257)	(275,978)
Net funds at 1 January 2014	3,704,706	3,980,684
NET FUNDS AT 31 DECEMBER 2014	1,428,449	3,704,706

The notes on pages 8 to 14 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards

1.2 Going concern

The sanctions imposed in March 2011 by the US, UK, EU and other international jurisdictions on the trading of assets controlled by certain Libyan individuals and entities, including the Libyan Africa Investment Portfolio, a shareholder and ultimate controlling party of FM Capital Partners Limited ('FMCP') remain in operation as do the licenses obtained by FMCP to continue managing the assets

The sanctions have not prevented the Company from continuing normal operations and the directors are of the opinion that the sanctions will be lifted in the near future. The directors continue to adopt the going concern basis of accounting

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of services supplied during the year, exclusive of value added tax

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Leasehold improvements	-	5 years
Fixtures & fittings	-	3 years
Computer equipment	-	3-5 years

1.5 Operating leases

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

1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted

1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the Profit and loss account

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

1.8 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2. TURNOVER

All turnover arose within the United Kingdom.

3. OPERATING PROFIT

The operating profit is stated after charging

	2014 £	2013 £
Depreciation of tangible fixed assets		
- owned by the company	157,872	195,807
Operating lease rentals		
- other operating leases	251,594	258,398
Difference on foreign exchange	(145,351)	(8,271)
	<u>264,115</u>	<u>445,934</u>

4. AUDITORS' REMUNERATION

	2014 £	2013 £
Fees payable to the company's auditor for the audit of the company's annual accounts	18,000	11,500
Fees payable to the company's auditor in respect of		
Provision of accounting services	37,000	46,925
Preparation of corporation tax return and computation	2,500	2,000
Preparation of financial statements	1,000	1,000
	<u>58,500</u>	<u>61,425</u>

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2014 £	2013 £
Wages and salaries	5,106,013	5,253,647
Social security costs	634,252	651,109
Other pension costs	47,741	67,237
	<u>5,788,006</u>	<u>5,971,993</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

5. STAFF COSTS (continued)

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

2014 No.	2013 No.
31	30

6. DIRECTORS' REMUNERATION

	2014 £	2013 £
Remuneration	1,112,604	1,727,672
Company pension contributions to defined contribution pension schemes	-	20,000

During the year retirement benefits were accruing to no directors (2013 - 1) in respect of defined contribution pension schemes

The highest paid director received gross remuneration of £778,420 (2013 - £1,141,908) The net remuneration was £344,706 (2013 £592,500)

7. TAXATION

	2014 £	2013 £
UK corporation tax charge on profit for the year	248,037	770,899

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 21% (2013 - 23.25%)
The differences are explained below

	2014 £	2013 £
Profit on ordinary activities before tax	1,050,951	3,478,869
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2013 - 23.25%)	220,700	808,837
Effects of:		
Expenses not deductible for tax purposes	6,092	8,340
Timing differences on fixed assets	15,642	16,927
Other timing differences	(88)	(63,092)
Difference arising from change to tax rate	5,691	(113)
Current tax charge for the year (see note above)	248,037	770,899

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

7 TAXATION (continued)

The company has an unprovided deferred tax asset of £29,446 (2013: asset of £17,415) which has not been recognised on the basis it is not material

8. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Fixtures & fittings £	Computer equipment £	Total £
Cost				
At 1 January 2014	68,919	141,192	835,558	1,045,669
Additions	15,650	-	12,187	27,837
At 31 December 2014	84,569	141,192	847,745	1,073,506
Depreciation				
At 1 January 2014	47,141	115,725	619,292	782,158
Charge for the year	16,401	9,546	131,925	157,872
At 31 December 2014	63,542	125,271	751,217	940,030
Net book value				
At 31 December 2014	21,027	15,921	96,528	133,476
At 31 December 2013	21,778	25,467	216,266	263,511

9. DEBTORS

	2014 £	2013 £
Amounts owed by related parties	3,063,626	3,955,953
Other debtors	517,068	85,120
Prepayments and accrued income	364,016	719,539
	<u>3,944,710</u>	<u>4,760,612</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

10 CREDITORS:

Amounts falling due within one year

	2014 £	2013 £
Trade creditors	60,395	63,237
Amounts owed to related parties	6,664	-
Corporation tax	-	648,243
Other taxation and social security	166,963	120,965
Dividends declared	561,665	1,788,152
Other creditors	16,807	11,952
Accruals and deferred income	1,273,442	1,916,288
	<u>2,085,936</u>	<u>4,548,837</u>

11. SHARE CAPITAL

	2014 £	2013 £
Allotted, called up and fully paid 600,000 Ordinary shares of £1 each	<u>600,000</u>	<u>600,000</u>

12. RESERVES

	Profit and loss account £
At 1 January 2014	3,579,992
Profit for the financial year	802,914
Dividends	(1,562,207)
At 31 December 2014	<u>2,820,699</u>

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014 £	2013 £
Opening shareholders' funds	4,179,992	3,835,794
Profit for the financial year	802,914	2,707,970
Dividends (Note 14)	(1,562,207)	(2,363,772)
Closing shareholders' funds	<u>3,420,699</u>	<u>4,179,992</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

14 DIVIDENDS

	2014 £	2013 £
Dividends declared on equity capital	1,562,207	2,363,772

15. NET CASH FLOW FROM OPERATING ACTIVITIES

	2014 £	2013 £
Operating profit	1,050,462	3,477,375
Depreciation of tangible fixed assets	157,872	195,807
Decrease/(increase) in debtors	915,783	(2,756,776)
(Decrease)/increase in creditors	(588,171)	492,913
Net cash inflow from operating activities	1,535,946	1,409,319

16. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2014 £	2013 £
Returns on investments and servicing of finance		
Interest received	489	1,494
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(27,837)	(50,784)

17. ANALYSIS OF CHANGES IN NET FUNDS

	1 January 2014 £	Cash flow £	31 December 2014 £
Cash at bank and in hand	3,704,706	(2,276,257)	1,428,449
Net funds	3,704,706	(2,276,257)	1,428,449

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

18. OPERATING LEASE COMMITMENTS

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2014	2013
	£	£
Expiry date:		
Between 2 and 5 years	260,432	260,432

19. RELATED PARTY TRANSACTIONS

Turnover includes investment management fees and performance fees of £9,959,777 (2013 £9,351,100) receivable from Libya Africa Investment Portfolio, a shareholder, and from funds in which this portfolio's assets are invested. Included within debtors at 31 December 2014 was a balance of £1,804,837 (2013 £2,338,771) relating to accrued income and a balance of £1,258,706 (2013 £1,237,862) relating to trade debtors.

During the year costs of £199,677 (2013 £304,948) were incurred on behalf of Libya Africa Investment Portfolio and to funds in which this portfolio's assets are invested, and recharged to the respective entity at cost. A balance of £nil (2013 £355,740) included within debtors remains outstanding at 31 December 2014.

During the year costs of £34,912 (2013 £57,005) were incurred on behalf of FM Investment Management LLP ('FMIM'), a partnership ultimately controlled by the director F Marino, and recharged to FMIM at cost. In addition, a service fee of £nil (2013 £239,822) was charged to FMIM. A balance of £84 (2013 £23,580) included within debtors remains outstanding at 31 December 2014.

Dividends declared amounting to £515,529 (2013 £780,051) and £117,566 (2013 £283,655) were paid to companies respectively controlled by two of the directors, F Marino and A Bessot. No amounts were outstanding at the balance sheet date.

Dividends declared amounting to £929,112 (2013 £1,300,085) are due to Libya Africa Investment Portfolio. At the balance sheet date £561,665 (2013 £1,788,152) was outstanding in respect of these amounts.

20. CONTROLLING PARTY

Libya Africa Investment Portfolio, a Libyan sovereign fund, is the ultimate controlling party. Libya Africa Investment Portfolio has no representation in the Executive Management of the company.



FM Capital Partners Ltd

FM CAPITAL PARTNERS LTD

PILLAR 3 DISCLOSURE – CAPITAL

1 INTRODUCTION

1.1 Background

The EU Capital Requirements Directive ("CRD IV") came into effect on 1 January 2014 creating a revised regulatory capital framework across Europe, and is the EU's implementation of Basel III. In the UK, the Financial Conduct Authority ("FCA") is responsible for the implementation of CRD IV, the details and application to FCA regulated firms in the UK being detailed in the FCA Handbook.

The Basel Accords capital adequacy framework, as reflected in the FCA Handbook, consists of three "pillars":

- **Pillar 1** sets out the minimum capital requirements that firms are required to meet for credit, market and operational risk,
- **Pillar 2** requires firms, and the FCA, to take a view on whether additional capital should be held against capital risks not covered by Pillar 1, and
- **Pillar 3** adds a set of disclosure requirements in order to allow market participants to assess the capital adequacy of a firm.

In addition to the above, the Alternative Investment Fund Managers Directive ("AIFMD") has in 2014 resulted in further capital adequacy requirements being imposed on Alternative Investment Fund Managers ("AIFMs"), such requirements also being implemented in the UK by the FCA.

The Internal Capital Adequacy Assessment Process (ICAAP) is a result of Pillar 2 requirements imposed on firms by the FCA through the relevant provisions in the FCA Handbook, including the additional capital requirements under AIFMD.

Pillar 3 disclosure requirements are implemented in the UK through BIPRU 11, which requires a firm to make disclosure of the relevant information under such rule, unless the information is believed to be immaterial, proprietary or confidential.

1.2 FM Capital Partners Ltd

FM Capital Partners Ltd ("FMCP") was incorporated in July 2009 and became authorised by the FCA in October 2010. FMCP is a London-based investment manager currently providing investment management services, and acting as investment manager to a number of hedge funds (the "FMCP Funds").

FMCP is a sole regulated entity, and each of



FM Capital Partners Ltd

- a "BIPRU firm",
- a "full-scope UK AIFM", and
- a "collective portfolio management investment firm" ("CPMI")

2. **CAPITAL RESOURCES & REQUIREMENTS**

2.1 **Capital Resources**

FMCP maintains sufficient capital to meet its regulatory requirement and takes a prudent approach to the management of its capital base. The amount and type of capital resources of FMCP, at 31 December 2014 (audited) are set forth in the table below

Capital	(in GBP)
Tier 1 Capital – Paid up Share Capital	600,000
Retained earnings	2,821,000
TOTAL Capital	3,421,000

FMCP's retained earnings consists of (1) liquid cash balance, and (2) fixed assets, accruals and deferred income

2.2 **Capital Requirements**

(1) AIFMD

The Alternative Investment Fund Managers Directive, with effect from 22 July 2014, has introduced an additional requirement which applies to FMCP as a CPMI firm and requires that it must hold "own funds" and "liquid assets" which equal or exceed

- (i) the higher of
 - (a) the "funds under management requirement" plus the "base capital resources requirement" of €125,000, and
 - (b) the "own funds based on fixed overheads", plus
- (ii) (in order to cover professional liability risk) whichever is applicable of
 - (a) the "professional negligence capital requirement", or
 - (b) the "PII capital requirement".

AIFMD's capital requirements applicable to FMCP are as determined at 31 December 2014 as being £1,349,000, resulting in FMCP holding an excess capital amount of £2,072,000

(2) The Pillar 1 Requirement

A BIPRU firm must maintain at all times capital resources equal to or in excess of



FM Capital Partners Ltd

- (i) the "base capital resources requirement" of €50,000, and
- (ii) the "variable capital requirement" (GENPRU 2 1 40)

The variable capital requirement is the higher of (i) and (ii)

- (i) the sum of
 - (a) the "credit risk capital requirement", plus
 - (b) the "market risk capital requirement", and
- (ii) the "fixed overheads requirement"

FMCP's Pillar 1 capital resources requirement is determined at 31 December 2014 as being the higher of

Pillar 1	(estimated, in GBP)
Base capital (€50,000): ¹	39,000
Variable capital:	
Credit risk	378,000
Market risk	343,000
	722,000
Fixed overheads requirement: ²	1,300,000

¹ Converted at 1 2886 GBP/EUR

² Based on expenditure for the year ended 31 December 2014 (audited)

FMCP's Pillar 1 capital as at 31 December 2014 is therefore determined as the fixed overhead requirement of £1,300,000

(3) The Pillar 2 Requirement

The Pillar 2 capital assessment consists of identifying key risks to which FMCP is exposed, assessing the probability of those risks occurring and quantifying the potential impacts of those risks, as applied according to the relative degree of complexity of FMCP's activities

FMCP assessed the major sources of risk applicable to it, and their impacts if they were to be crystallised over the next 12 months – as well as any foreseeable requirements arising over the next three to five years, the most material of which are further discussed below

In addition, as a reasonableness check on the Pillar 2 capital analysis, the most extreme scenario was considered costs for an orderly wind-down of FMCP over a three month period. In a wind-down scenario, FMCP estimates it would need to maintain around £1,680,000



FM Capital Partners Ltd

(4) Summary

The Pillar 1 capital requirement as of 31st December 2014 as based on the latest available audited accounts for 2014 is £1,300,000 (being the fixed overheads requirement), and the AIFMD capital requirement is £1,349,000

FMCP has decided for prudential reasons to use the higher Pillar 2 amount calculated as an estimate of orderly wind-down costs of approximately £1,680,000. The actual capital held by FMCP as of 31st December 2014 is £3,421,000 (audited) which provides a surplus of £1,741,000 against the higher Pillar 2 capital requirement amount

Stress and scenario testing were also performed to consider the effect of extreme scenarios on FMCP's regulatory capital but the tests did not result in additional capital having to be held

3 RISK MANAGEMENT

3.1 General

The FCA's Senior Management, Systems and Controls sourcebook (SYSC) 4.1.1 requires all firms to have robust governance arrangements and effective processes for managing risks. It also requires all institutions to have in place sound and effective strategies to assess and maintain adequate capital, having considered the nature and level of their risks in a forward looking manner

Risks are discussed at a senior management level daily and systems and controls have been introduced to ensure that risks are mitigated as far as possible. FMCP identify, measure, monitor and control risk through daily reports, trade limits and trade authorisation, which are identified and discussed further in this report. The risk management function at FMCP draws upon best practice standards and procedures in order to design and operate its risk framework as mandated or proposed by various regulatory or industry bodies such as the FCA and the AIMA.

FMCP has a low risk appetite in respect to investing and to managing business and operational activities. This is reflected in the firm's governance, controls and activities. There is an experienced management team of proven ability to ensure that the business remains tightly controlled within the standards that the firm aspires to. The low risk appetite is further demonstrated by the surplus capital held within the firm

3.2 Material Risks (Pillar 2)

The most material capital adequacy risks for FMCP are outlined below, along with mitigants.

- (1) Market Risk – The risk of decline in the value of the portfolio of funds managed resulting from changes in market factors. Market factors include changes in credit spreads, interest rates, equity markets, foreign exchange rates, volatility, correlation, and exogenous shocks. Decline in value would result in reduction in



FM Capital Partners Ltd

management fees received by FMCP. Portfolio managers are responsible for evaluating market risk in their portfolios. Key controls include trading limits on the front end, both soft and hard lock in periods are in place and daily risk reporting by the risk manager. Stress tests involve shocking relevant market factors using scenarios that are believed by management to represent possible market spread widening events. Stress tests are performed and documented regularly or as required by risk management at interim periods.

- (2) **Liquidity Risk** – The risk of inability to obtain funding, either via liquid assets or short-term borrowing, on a day-to-day basis and particularly in times of stress. Liquidity reports are distributed to and reviewed by management, as are quarterly management accounts as reported to the Board, excess cash is held to cover three months overhead without restrictions.
- (3) **Operational Risk** – The risk of loss due to system breakdowns, internal and operational control failures, employee fraud or misconduct, and catastrophes. FMCP seeks to avoid risks from operational processes through the continued development of a robust infrastructure and adherence to documented processes and controls.
- (4) **Performance Risk** – The risk that FMCPs investment performance falls below its targets as a result of poor investment decisions or otherwise. FMCP, as an investment manager, generates its income by way of charging a management and performance fees on the assets under management. If the investment performance were to fall then FMCP would receive lower management fees because the assets under management would drop and no performance fee would be payable. If this were to happen over a sustained period this could have a material impact on the firm. However the likelihood of this happening is low due to the experience of staff and senior management.
- (5) **Regulatory and Legal Risk** – The risk that FMCP activities do not comply with applicable laws and regulations. FMCP actively monitor and manage regulatory and legal risks. In addition, external counsel and consultants with industry expertise are utilised as needed. FMCP has also put in place compliance and operations policies and procedures in order to ensure that it adheres to the restrictions applicable to the assets it manages. Despite the foregoing, there is significant risk to FMCP associated with potential consequences for technical or other breaches of applicable laws and regulations. In the worst case scenario, FMCP would not be able to continue to manage any affected assets, and thus not able to collect related management/performance fees which will have corresponding adverse effects on its current business model and operation.
- (6) **Counterparty Risk** – The risk of failure of a counterparty to perform as contracted. FMCP may be exposed to counterparty risk primarily from external service providers, e.g. Prime Brokers. FMCP actively manages counterparty risk by executing its business with highly capitalized counterparties, and monitors on an ongoing basis the creditworthiness of its counterparties and those of the FMCP Funds. This process involves the monitoring of credit spreads and news. Annual due diligence visits take place in respect of key counterparties which provide



FM Capital Partners Ltd

services to the FMCP Funds

4 ONGOING REVIEW

The Pillar 3 disclosures will be reviewed in conjunction with FMCP's review of its ICAAP, and will be formally reviewed and signed-off by the Board at least annually.

The firm's material risks that were outlined above will be examined throughout the year to ensure that the amount of capital needed in case these risks crystallise is available

5 REMUNERATION

Remuneration disclosures for FMCP can be found as a part of its audited accounts filed with Companies House



FM Capital Partners Ltd

08 SEP 2015

FM CAPITAL PARTNERS LTD

PILLAR 3 DISCLOSURE – REMUNERATION

1. Introduction

FM Capital Partners Ltd (the "Company") is a full-scope Alternative Investment Fund Manager ("AIFM") and must comply with the principles of the AIFM Remuneration Code in SYSC 19B (the "AIFM Remuneration Code") of the Financial Conduct Authority ("FCA") Handbook in respect of AIFM Remuneration Code Staff (defined below).

In line with the FCA's general guidance statement regarding the AIFM Remuneration Code and its application to AIFM Remuneration Code Staff, we have determined that the so-called "Payout Process Rules" (relating to retained instruments of variable compensation, deferral, and performance adjustment) under SYSC 19B are not applicable, as they are disproportionate to our size, internal organisation and the nature, scope and complexity of our activities

General principles

The objective of the Company's Remuneration Policy (the "Policy") is to support the Company's business strategy, objectives and values, including prudent risk management, by retaining and motivating key talent to achieve these outcomes.

The Policy, and its application, strives to adhere to the below general principles

- remuneration that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles of the Company or the funds it manages;
- support and enhance the Company's business strategy, objectives, values and long-term interests, and where appropriate taking into account the interests of the Company's funds and the investors in such funds,
- fixed and variable components of total remuneration should be appropriately balanced, with the fixed component representing a sufficient proportion of total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility of zero variable remuneration in any particular year;
- where the Company, or the funds', financial performance is subdued or negative, total variable remuneration should generally be contracted; and
- total variable remuneration awarded should not limit the Company's ability to maintain and, if necessary, strengthen its capital base



2 **Remuneration Committee**

Although not strictly required by application of the AIFM Remuneration Code, the Board has determined that the oversight of a remuneration committee (the "Committee") is appropriate

The objectives, constitution and responsibilities of the Committee are documented separately; its key responsibilities include:

- determine and agree with the Board the general principles and remuneration framework for all Company employees;
- review the Policy and its implementation for compliance with the Company's policies and procedures for remuneration as adopted by the Board;
- determine the remuneration for AIFM Remuneration Code Staff;
- review and, if thought fit, approve remuneration for other employees whose total annual remuneration is at or above specified thresholds; and
- propose, for the Board's approval, the amounts of any bonus pools and approve (or if applicable determine) allocations from such pools at year-end to eligible participants.

In exercising its responsibilities, the Committee takes into consideration financial and non-financial criteria, and any other relevant information in making remuneration decisions, including reports from risk management and compliance functions.

The Committee is constituted such that it is able to exercise competent and independent judgment in relation to the matters in respect of which it has responsibility.

3. **Remuneration Framework**

Overview

When reviewing and awarding remuneration of any kind for an employee consideration is given to the general principles of the Policy (described above), as well as the following 'remuneration framework' factors.

- overall Company results,
- collective performance of the relevant business unit/team,
- performance of the funds in respect of which the individual has influence,
- individual performance relative to (i) job description and key accountability requirements, (ii) the competency framework against which employees are



FM Capital Partners Ltd

assessed, and (iii) the performance management process and achievement of objectives;

- adherence to risk management policies and the implementation of effective risk management;
- compliance with all regulatory requirements and Company policies;
- adherence to Company values, including acting honestly, fairly and professionally, and
- competitive market benchmarking data.

Fixed Remuneration

Fixed remuneration is commensurate with the nature of role, the quality and experience of the individual and the needs of Company, and will be assessed in reference to competitive market benchmarking data.

Variable Remuneration

The Company operates a fully flexible policy on variable remuneration components, including the possibility of zero variable remuneration in any particular year. Where the Company, or the funds', financial performance is subdued or negative, total variable remuneration should generally be contracted – although exceptions may be warranted for AIFM Remuneration Code Staff in control functions whose compensation may be independent of business performance.

The allocation of variable remuneration to eligible participants is discretionary and subject to the application of the general principles of the Policy and the remuneration framework factors listed above

4. Performance Reviews

Performance reviews are an integral non-financial component of the Company's remuneration framework, and are an important factor in the consideration of remuneration awards under the Policy.

Performance is managed on an ongoing basis through informal discussions between individuals and their managers, with two formal reviews each year: a mid-year and a year-end review. The mid-year review checks progress against objectives with new objectives and development activities being agreed if necessary. In the year-end review managers assess performance for the year, set objectives for the coming year, and agree development activities.

Individual performance is measured relative to (i) job description and key accountability requirements, (ii) the competency framework against which employees are assessed, and (iii) the performance management process and achievement of objectives.



FM Capital Partners Ltd

In addition, performance reviews take into account adherence to risk management policies and the implementation of effective risk management; compliance with all regulatory requirements and Company policies; and adherence to Company values, including acting honestly, fairly and professionally

5. **AIFM Remuneration Code Staff**

The Company's "AIFM Remuneration Code Staff", as per SYSC 19B, comprise those categories of staff whose professional activities have a material impact on the risk profiles of the Company or the funds it manages. This includes senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers.

Specifically, the Company's AIFM Remuneration Code Staff have been determined to be:

- the Chief Executive Officer and Head of Investments,
- certain control function heads, namely Chief Operations Officer, Head of Risk Management, and General Counsel & Head of Compliance;
- any other employees receiving total remuneration that takes them into the same remuneration bracket as the above listed roles.

The non-executive directors of the Board are not considered to be AIFMD Remuneration Code Staff as in their supervisory oversight role they do not have a material impact on the Company's risk profile.

In addition, given the risk control framework within which they must operate, the majority of the Company's portfolio managers are not considered to have a material impact on the risk profile of the Company or the funds it manages.

Each member of the Company's AIFM Remuneration Code Staff has been informed that they have been so designated. A record of AIFM Remuneration Code Staff is kept by the Committee and is reviewed at least annually.

6. **Review**

The Committee reviews the Policy and its implementation for compliance with the Company's policies and procedures for remuneration as adopted by the Board periodically as necessary and no less frequently than annually. As part of this process the Committee seeks input from the risk management and compliance control functions and independent third parties as required.

The Board reviews the general principles of the Policy periodically as necessary and no less frequently than annually.

7. **Aggregate Remuneration**

For purposes of Pillar 3 disclosure, and compliance with the applicable requirements in a manner that is appropriate to the size, internal organization and the nature, scope and complexity of the Company's activities, the following aggregate remuneration information



FM Capital Partners Ltd

is provided for the calendar year 2014 broken down by (i) senior management and members of staff whose actions have a material impact on the risk profile of the Company, and (ii) all other employees (on a gross basis and including national insurance contributions):

Senior Management / Material Risk

£2,806,537

Other Employees

£1,664,632

For the avoidance of doubt, the information above excludes remuneration paid to non-executive directors of the Board
