

# **FM Capital Partners Ltd**

## **Report And Financial Statements**

*31 December 2017*



COMPANY INFORMATION

|                          |  |
|--------------------------|--|
| <b>Directors</b>         | W Ashur<br>R Turner<br>Lord Hamilton of Epsom                                      |
| <b>Company secretary</b> | Prism Cosec Ltd  |
| <b>Registered number</b> | 06952225   |
| <b>Registered office</b> | 110 Park Street<br>London<br>W1K 6NX   |
| <b>Auditors</b>          | Rees Pollock<br>35 New Bridge Street<br>London<br>EC4V 6BW                         |
| <b>Bankers</b>           | British Arab Commercial Bank plc<br>8-10 Mansion House Place<br>London<br>EC4N 8BJ |

## STRATEGIC REPORT

For the year ended 31 December 2017

### 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 Ltd derives from the sanctions regime still in place against the assets of the Libya Africa Investment Portfolio (LAIP) which is the controlling shareholder of FM Capital Partners Ltd. The company has obtained licenses from the relevant governmental authorities in order to manage certain LAIP assets and while operating under these 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 continues to be under review by the directors and may change in the 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 creating a solid governance framework, as well as being integral to the continuing success of the business. The company will also continue to invest in financial education and the development of new talent.

### Future outlook

The company has been working to improve its infrastructure and product offering in order provide a better service to clients. Whilst it continues to upgrade infrastructure, the company will continue to seek opportunities for growth, and to increase assets under management, concentrating on a product offering tailored to institutional investors.

This report was approved by the board on 20 April 2018 and signed on its behalf.

  
**R Turner**  
Director

## **DIRECTORS' REPORT**

For the year ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

### **Results**

The profit for the year, after taxation, amounted to £1,580,973 (2016 - £883,859).

### **Pillar III disclosure**

The firm has documented the disclosures required by the FCA under BIPRU 11. These are attached to the financial statements as and when the same are filed with Companies House.

### **Directors**

The directors who served during the year were:

F Marino (inactive - FCA CF1 status ended 2 September 2014 and resigned 5 May 2017)

W Ashur

A Kashadah (deceased 21 November 2017)

S Creui (resigned 25 January 2017)

R Turner

Lord Hamilton of Epsom

### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Qualifying third party indemnity provisions**

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

**DIRECTORS' REPORT (CONTINUED)**  
For the year ended 31 December 2017

**Provision of information to auditors**

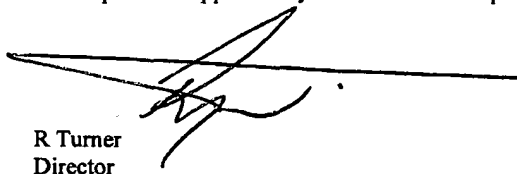
Each of the persons who are active directors at the time when this Directors' report is approved has confirmed that:

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

**Auditors**

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

This report was approved by the board on 20 April 2018 and signed on its behalf.

  
R Turner  
Director

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

### **Opinion**

We have audited the financial statements of FM Capital Partners Ltd (the 'Company') for the year ended 31 December 2017, which comprise the statement of comprehensive income, the balance sheet, the statement of cash flows, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

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

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

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

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

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS  
OF FM CAPITAL PARTNERS LTD (CONTINUED)**

**Matters on which we are required to report by exception**

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

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

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

**Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' report.

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



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

24 April 2018

**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2017

|  | <b>Note</b> | <b>2017<br/>£</b> | <b>2016<br/>£</b> |
|--|-------------|-------------------|-------------------|
| <b>Turnover</b>                                | 3           | 11,109,057        | 8,519,224         |
| <b>Administrative expenses</b>                 |             | (9,142,422)       | (7,498,566)       |
| <b>Operating profit</b>                        | 4           | 1,966,635         | 1,020,658         |
| Interest receivable and similar income         |             | 74                | 479               |
| Interest payable and expenses                  |             | (1,586)           | -                 |
| <b>Profit before tax</b>                       |             | 1,965,123         | 1,021,137         |
| Tax on profit                                  | 8           | (384,150)         | (137,278)         |
| <b>Total comprehensive income for the year</b> |             | <u>1,580,973</u>  | <u>883,859</u>    |

There was no other comprehensive income for 2017 (2016: £NIL).

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



**BALANCE SHEET**  
As at 31 December 2017

|  | Note | 2017<br>£               | 2016<br>£               |
|--|------|-------------------------|-------------------------|
| <b>Fixed assets</b>                            |      |                         |                         |
| Intangible assets                              | 9    | 352,856                 | 438,360                 |
| Tangible assets                                | 10   | 166,367                 | 207,547                 |
|  |      | <u>519,223</u>          | <u>645,907</u>          |
| <b>Current assets</b>                          |      |                         |                         |
| Debtors: amounts falling due within one year   | 11   | 6,087,230               | 2,693,762               |
| Cash at bank and in hand                       |      | 2,699,971               | 3,136,031               |
|  |      | <u>8,787,201</u>        | <u>5,829,793</u>        |
| Creditors: amounts falling due within one year | 12   | (3,761,596)             | (2,511,845)             |
| <b>Net current assets</b>                      |      | <u>5,025,605</u>        | <u>3,317,948</u>        |
| <b>Net assets</b>                              |      | <u><u>5,544,828</u></u> | <u><u>3,963,855</u></u> |
| <b>Capital and reserves</b>                    |      |                         |                         |
| Called up share capital                        | 13   | 600,000                 | 600,000                 |
| Profit and loss account                        |      | 4,944,828               | 3,363,855               |
|  |      | <u><u>5,544,828</u></u> | <u><u>3,963,855</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 April 2018.

  
**R Turner**  
Director

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

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**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2017

|   | <b>Called up<br/>share capital</b> | <b>Profit and<br/>loss account</b> | <b>Total equity</b> |
|---|------------------------------------|------------------------------------|---------------------|
|   | <b>£</b>                           | <b>£</b>                           | <b>£</b>            |
| <b>At 1 January 2016</b>                | 600,000                            | 2,479,996                          | 3,079,996           |
| Total comprehensive income for the year | -                                  | 883,859                            | 883,859             |
| <b>At 1 January 2017</b>                | 600,000                            | 3,363,855                          | 3,963,855           |
| Total comprehensive income for the year | -                                  | 1,580,973                          | 1,580,973           |
| <b>At 31 December 2017</b>              | 600,000                            | 4,944,828                          | 5,544,828           |

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

**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2017

|   | 2017<br>£               | 2016<br>£               |
|---|-------------------------|-------------------------|
| <b>Cash flows from operating activities</b>                   |                         |                         |
| Profit for the financial year                                 | 1,580,973               | 883,859                 |
| <b>Adjustments for:</b>                                       |                         |                         |
| Amortisation of intangible assets                             | 117,456                 | 89,179                  |
| Depreciation of tangible assets                               | 68,747                  | 74,801                  |
| Interest received   | (74)                    | (479)                   |
| Taxation charge   | 384,150                 | 137,278                 |
| (Increase) in debtors   | (3,393,468)             | (574,988)               |
| Increase in creditors   | 1,128,679               | 108,246                 |
| Corporation tax (paid)/received                               | (263,078)               | 98,127                  |
| <b>Net cash generated from operating activities</b>           | <u>(376,615)</u>        | <u>816,023</u>          |
| <b>Cash flows from investing activities</b>                   |                         |                         |
| Purchase of intangible fixed assets                           | (31,952)                | (277,539)               |
| Purchase of tangible fixed assets                             | (27,567)                | (29,771)                |
| Sale of tangible fixed assets                                 | -                       | 958                     |
| Interest received   | 74                      | 479                     |
| <b>Net cash from investing activities</b>                     | <u>(59,445)</u>         | <u>(305,873)</u>        |
| <b>Net (decrease)/increase in cash and cash equivalents</b>   | <u>(436,060)</u>        | <u>510,150</u>          |
| Cash and cash equivalents at beginning of year                | 3,136,031               | 2,625,881               |
| <b>Cash and cash equivalents at the end of year</b>           | <u><u>2,699,971</u></u> | <u><u>3,136,031</u></u> |
| <b>Cash and cash equivalents at the end of year comprise:</b> |                         |                         |
| Cash at bank and in hand                                      | <u><u>2,699,971</u></u> | <u><u>3,136,031</u></u> |

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 1. ACCOUNTING POLICIES

#### 1.1 Basis of preparation of financial statements

FM Capital Partners Ltd is a private company limited by shares, incorporated in the UK with its registered office at 110 Park Street, London, W1K 6NX. Its principal activity is fund management.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the 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 2).

#### 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 Ltd ('FMCP') remain in operation as do the licenses obtained by FMCP to continue to managing the assets.

The sanctions have not prevented the Company from continuing normal operations and, although the directors do not believe the sanctions will be lifted in the near future, they have a valid expectation of renewal of the licences under which the company operates. The directors continue to adopt the going concern basis of accounting.

#### 1.3 Revenue

Revenue represents fees receivable during the period for discretionary investment management services. Management fee and performance fees are recognised when receivable. Performance fees, which are based on the investment performance achieved for certain client portfolios relative to predefined benchmarks, are recognised as revenue at the end of the period over which the performance is measured.

#### 1.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

|                   |   |   |       |
|-------------------|---|---|-------|
| Computer software | - | 5 | years |
|-------------------|---|---|-------|

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2017

**1. ACCOUNTING POLICIES (continued)**

**1.5 Tangible fixed assets**

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.

The estimated useful lives range as follows:

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

**1.6 Operating leases**

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

**1.7 Financial instruments**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable.

Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

**1.8 Foreign currency translation**

*Functional and presentation currency*

The Company's functional and presentational currency is GBP.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

### 1. ACCOUNTING POLICIES (continued)

#### 1.9 Pensions

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

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

#### 1.10 Taxation

Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when and conditions for retaining associated tax allowances have been met.

### 2. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Performance periods are coterminous with the accounting reference date so there is no material contingent revenue which has not been recognised.

### 3. TURNOVER

All turnover arose within the United Kingdom.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

**4. OPERATING PROFIT**

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

|                                       | 2017<br>£         | 2016<br>£         |
|---------------------------------------|-------------------|-------------------|
| Depreciation of tangible fixed assets | 68,747            | 74,801            |
| Amortisation of intangible assets     | 117,456           | 89,179            |
| Difference on foreign exchange        | 19,420            | (26,094)          |
| Other operating lease rentals         | 343,945           | 343,362           |
|                                       | <u>          </u> | <u>          </u> |

**5. AUDITORS' REMUNERATION**

|  | 2017<br>£     | 2016<br>£     |
|--|---------------|---------------|
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | 18,000        | 19,000        |
| <b>Total fees payable to the Company's auditor in respect of audit services</b>      | <u>18,000</u> | <u>19,000</u> |
| <b>Fees payable to the Company's auditor in respect of:</b>                          |               |               |
| Provision of accounting services   | 1,750         | 8,000         |
| Preparation of corporation tax returns and computations                              | 2,200         | 2,500         |
| Preparation of financial statements  | 1,000         | 1,000         |
|  | <u>4,950</u>  | <u>11,500</u> |

**6. EMPLOYEES**

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

|                                     | 2017<br>£        | 2016<br>£        |
|-------------------------------------|------------------|------------------|
| Wages and salaries                  | 4,519,413        | 3,757,913        |
| Social security costs               | 581,116          | 472,651          |
| Cost of defined contribution scheme | 55,872           | 65,724           |
|                                     | <u>5,156,401</u> | <u>4,296,288</u> |

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

|  | 2017<br>No. | 2016<br>No. |
|--|-------------|-------------|
|  | <u>24</u>   | <u>26</u>   |

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**7. DIRECTORS' REMUNERATION**

|                       | 2017<br>£ | 2016<br>£ |
|-----------------------|-----------|-----------|
| Directors' emoluments | 627,063   | 1,116,536 |

The highest paid director received remuneration of £421,085 (2016 - £855,642).

**8. TAXATION**

|  | 2017<br>£ | 2016<br>£ |
|--|-----------|-----------|
| <b>CURRENT TAX</b>                         |           |           |
| UK corporation tax on profits for the year | 384,150   | 204,903   |
| Adjustments in respect of previous periods | -         | (67,625)  |
| <b>TOTAL CURRENT TAX</b>                   | 384,150   | 137,278   |

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

|  | 2017<br>£ | 2016<br>£ |
|--|-----------|-----------|
| Profit on ordinary activities before tax   | 1,965,123 | 1,021,137 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 -20%) | 378,219   | 204,227   |
| Expenses not deductible for tax purposes   | 2,729     | 2,826     |
| Timing differences on fixed assets   | 3,060     | (1,957)   |
| Other timing differences   | 142       | (193)     |
| Tax losses utilised  | -         | (67,625)  |
| <b>TOTAL TAX CHARGE FOR THE YEAR</b>   | 384,150   | 137,278   |

The company has an unprovided deferred tax asset of £7,350 (2016: £5,822) which has not been recognised on the basis that it is not material.



**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**9. INTANGIBLE ASSETS**

|                       | <b>Computer<br/>software<br/>£</b> |
|-----------------------|------------------------------------|
| <b>COST</b>           |                                    |
| At 1 January 2017     | 527,539                            |
| Additions             | 31,952                             |
| At 31 December 2017   | <u>559,491</u>                     |
| <b>AMORTISATION</b>   |                                    |
| At 1 January 2017     | 89,179                             |
| Charge for the year   | 117,456                            |
| At 31 December 2017   | <u>206,635</u>                     |
| <b>NET BOOK VALUE</b> |                                    |
| At 31 December 2017   | <u>352,856</u>                     |
| At 31 December 2016   | <u>438,360</u>                     |

**10. TANGIBLE FIXED ASSETS**

|                       | <b>Leasehold<br/>improvements<br/>£</b> | <b>Fixtures &amp;<br/>fittings<br/>£</b> | <b>Computer<br/>equipment<br/>£</b> | <b>Total<br/>£</b> |
|-----------------------|---|--|-------------------------------------|--------------------|
| <b>COST</b>           |   |  |                                     |                    |
| At 1 January 2017     | 200,387                                 | 144,242                                  | 457,353                             | 801,982            |
| Additions             | 5,835                                   | 889                                      | 20,843                              | 27,567             |
| At 31 December 2017   | <u>206,222</u>                          | <u>145,131</u>                           | <u>478,196</u>                      | <u>829,549</u>     |
| <b>DEPRECIATION</b>   |   |  |                                     |                    |
| At 1 January 2017     | 56,601                                  | 141,875                                  | 395,959                             | 594,435            |
| Charge for the year   | 40,767                                  | 1,585                                    | 26,395                              | 68,747             |
| At 31 December 2017   | <u>97,368</u>                           | <u>143,460</u>                           | <u>422,354</u>                      | <u>663,182</u>     |
| <b>NET BOOK VALUE</b> |   |  |                                     |                    |
| At 31 December 2017   | <u>108,854</u>                          | <u>1,671</u>                             | <u>55,842</u>                       | <u>166,367</u>     |
| At 31 December 2016   | <u>143,786</u>                          | <u>2,367</u>                             | <u>61,394</u>                       | <u>207,547</u>     |

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

**11. DEBTORS**

|                                    | 2017<br>£        | 2016<br>£        |
|------------------------------------|------------------|------------------|
| Amounts owed by group undertakings | 5,231,066        | 1,872,090        |
| Other debtors                      | 416,239          | 481,758          |
| Prepayments and accrued income     | 439,925          | 339,914          |
|                                    | <u>6,087,230</u> | <u>2,693,762</u> |

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

|                                    | 2017<br>£        | 2016<br>£        |
|------------------------------------|------------------|------------------|
| Trade creditors                    | 613,100          | 178,298          |
| Corporation tax                    | 256,597          | 135,525          |
| Other taxation and social security | 934,268          | 342,194          |
| Other creditors                    | 574,866          | 768,765          |
| Accruals and deferred income       | 1,382,765        | 1,087,063        |
|                                    | <u>3,761,596</u> | <u>2,511,845</u> |

**13. SHARE CAPITAL**

|   | 2017<br>£      | 2016<br>£      |
|---|----------------|----------------|
| <b>Allotted, called up and fully paid</b> |                |                |
| 600,000 Ordinary shares of £1 each        | 600,000        | 600,000        |
|   | <u>600,000</u> | <u>600,000</u> |

**14. PENSION COMMITMENTS**

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £55,872 (2016 - £65,724). Contributions totalling £1,121 (2016 - £384) were payable to the fund at the balance sheet date

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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2017

**15. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

|  | 2017<br>£        | 2016<br>£        |
|--|------------------|------------------|
| Not later than 1 year                        | 396,960          | 396,960          |
| Later than 1 year and not later than 5 years | 626,436          | 1,023,396        |
| <b>Total</b>                                 | <u>1,023,396</u> | <u>1,420,356</u> |

**16. RELATED PARTY TRANSACTIONS**

Turnover includes investment management fees and performance fees of £11,109,057 (2016: £8,519,224) 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 2017 was a balance of £1,512,562 (2016: £499,766) relating to trade debtors and a balance of £3,718,504 (2016: £1,372,240) relating to accrued income.

A balance of £403 (2016: £84) is included within other debtors in respect of costs incurred on behalf of FM Investment Management LLP ('FMIM'), a partnership ultimately controlled by the former director F Marino.

At the balance sheet date £561,665 (2016: £561,665) was outstanding in respect of dividends declared to Libya Africa Investment Portfolio during the year ended 31 December 2014 and is included in other creditors.

**17. 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****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, and existing related legislation, the details and application to FCA regulated firms in the UK being set out 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:

- 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 2017 (audited) are set forth in the table below.

| Capital                                | (in GBP)         |
|--|------------------|
| Tier 1 Capital – Paid up Share Capital | 600,000          |
| Retained earnings                      | <u>4,945,000</u> |
| <b>TOTAL Capital</b>                   | <b>5,545,000</b> |

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 2017 as being £1,205,000, resulting in FMCP holding an excess capital amount of £4,340,000.

## (2) The Pillar 1 Requirement

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

- (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 2016 as being the higher of:

| <b>Pillar 1</b>                                 | <b>(estimated, in GBP)</b> |
|---|----------------------------|
| <b>Base capital (€50,000):<sup>1</sup></b>      | 44,000                     |
| <b>Variable capital:</b>                        |                            |
| Credit risk                                     | 578,000                    |
| Market risk                                     | 264,000                    |
|   | 842,000                    |
| <b>Fixed overheads requirement:<sup>2</sup></b> | 1,159,000                  |

<sup>1</sup> Converted at 1.128 GBP/EUR.

<sup>2</sup> Based on expenditure for the year ended 31 December 2017 (audited)

FMCP's Pillar 1 capital as at 31 December 2017 is therefore determined as the fixed overhead requirement of £1,159,000.

## (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 £1,938,000.

#### (4) Summary

The Pillar I capital requirement as of 31<sup>st</sup> December 2017 as based on the latest available audited accounts for 2017 is £1,159,000 (being the fixed overheads requirement), and the AIFMD capital requirement is £1,205,000.

FMCP has decided for prudential reasons to use the higher Pillar 2 amount calculated as an estimate of orderly wind-down costs of approximately £1,938,000. The actual capital held by FMCP as of 31<sup>st</sup> December 2017 is £5,545,000 (audited) which provides a surplus of £3,607,000 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. 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.

#### 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 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, 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.
- (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 services to the FMCP Funds.



4. **ONGOING REVIEW**

The Pillar 3 disclosures relating to capital adequacy are reviewed in conjunction with FMCP's review of its ICAAP, which is formally reviewed and signed-off by the Board at least annually, and its year-end audited financial statements.

The firm's material risks that were outlined above will be examined throughout the year to ensure that the amount of capital needed (if any) 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.

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**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 (if provided for in the Policy) 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 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.

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.

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 is provided for the calendar year 2017 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

£3,657,948

Other Employees

£1,284,611

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

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