Algebris (UK) Limited

Annual Report and Audited Financial Statements

For The Year Ended 31 December 2018

Registered No. 10308570

ALGEBRIS (UK) LIMITED
Registered No. 10308570

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Company Information

Directors	D. Serra A. Lasagna
Secretary	D. Serra
Company number	10308570
Business address / Registered office	1 St James's Market London SW1Y 4AH
Independent Auditors	KPMG LLP 15 Canada Square London E14 5GL

ALGEBRIS (UK) LIMITED
Registered No. 10308570

Directors' Report

The directors present their report together with the audited financial statements of Algebris (UK) Limited (the "Company") and its permanent establishment ("Algebris UK - Milan Branch") for the year ended 31 December 2018.

Unless otherwise noted, comparatives reference to "period ended 31 December 2017" in the financial statements, is the period from 2 August 2016 to 31 December 2017 for Algebris (UK) Limited excluding the permanent establishment.

Directors

The following directors have held office during the year and up to the date of signing the financial statements:

D. Serra
A. Lasagna

Dividends

Dividends of €6,700,000 (2017: €Nil) were paid in the current year. The directors do not recommend payment of any further dividends.

Going concern

The directors have considered the going concern risk, including assessment of uncertainty on future trading projections for a period of at least 12 months from the date of signing these financial statements. The directors conduct this assessment, as required as a regulated Investment Manager under FCA rules, in an Internal Capital Adequacy Assessment Process ("ICAAP") document.

The Company has to retain regulatory capital as prescribed by FCA rules for regulated Investment Managers and has to report on its regulatory capital position bi-annually to the FCA.

As part of the ICAAP assessment, the directors stress test future trading projections simulating for extreme financial market conditions and the resulting impact on the Group's regulatory capital headroom.

Based on the assessment, the directors have a reasonable expectation that the Company can continue to operate for the forseeable future, and that it is appropriate, therefore, to prepare these financial statements on a going concern basis.

Events after the reporting period

There are no events to report after the year end date.

Brexit

On 23 June 2016 the United Kingdom held a referendum and voted to leave the European Union. This has led to volatility in the financial markets of the United Kingdom and more broadly across Europe and may also lead to weakening in consumer, corporate and financial confidence in such markets. The extent and process by which the United Kingdom will exit the European Union, and the longer term economic, legal, political and social framework to be put in place between the United Kingdom and the European Union are unclear at this stage and are likely to lead to ongoing political and economic uncertainty and periods of exacerbated volatility in both the United Kingdom and in wider European markets for some time. This mid to long term uncertainty may have an adverse effect on the economy generally and on the ability of the Company to execute its respective strategies and to receive attractive returns. Leaving the European Union may also result in significant changes to law and regulation in the United Kingdom. It is not currently possible to assess the effect of these changes on the Company or the position of the Funds which the Company manages (although such changes may result in the management arrangements for the Funds having to be re-structured).

Future developments

The directors expect the business to continue to do well for the forseeable future.

Political donations

The Company did not make any political donations during the year.

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirmed that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and that they have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors confirm that the requirements in the Statement of Directors' Responsibilities in respect of the Directors' Report, Strategic Report and the financial statements have been met in preparing these financial statements.

Signed on behalf of the board of directors.

D. Serra
Director
Date: 18 April 2019

ALGEBRIS (UK) LIMITED
Registered No. 10308570

Strategic Report

The directors present their strategic report for the year ended 31 December 2018.

Principal Activity and Review of the Business

The Company was incorporated as a private limited company in England and Wales on 2 August 2016. The principal activity of the Company is that of investment management. The Company is authorised and regulated by the Financial Conduct Authority ("FCA") with effect from 6 December 2016.

On 6 December 2016, the Company was authorised by the FCA as an Alternative Investment Fund Manager under the Alternative Investment Fund Manager Directive ("AIFMD").

The Company reports an operating profit of €10,113,221 for the year ended 31 December 2018.The fall in operating profit is largely attributable to lower revenue in the current year. The fall in revenue in the current year to €85,020,773 from €132,572,589 is due to differing reporting periods coupled with a drop in performance related fees directly dependent on the performance of Assets Under Management ("AUM").

Inspite of the fall in revenue and operating profit, the directors are satisfied with the results for the year. The directors will focus efforts on maximising income and profits by maintaining and increasing the assets under management of the funds it provides investment management services to. As part of the drive, the Company has extended its operations in the Far East with the launch of a new office in Tokyo.

The future market conditions will potentially have an impact on the income stream of the Company over the following year. The ongoing political uncertainty surrounding the United Kingdom's future relationship with the European Union is likely to have an impact on the overall business.

Whilst the level of impact, if at all, cannot be determined at this stage due to multitude of outcomes in the manner in which the United Kingdom will depart from the European Union, the Company has put in place contingency measures to negate any adverse impact on its ability to continue to operate without disruption. That said, the outcome and the impact are unknown at this stage. Irrespective of the political uncertainty the directors are optimistic about the future profitability of the Company and continue to pursue growth and expect the Company to continue as a going concern.

Principal Risks and Uncertainties and Key Performance Indicators ("KPIs")

The key performance indicators used and reviewed by the directors to understand the performance of the Company include monthly management accounts, expense reports, regulatory capital reports, cash flow projections and underlying data on the performance of the funds.

The management of the business and the execution of its strategies are subject to a number of risks. In assessing these risks and uncertainties, the Company has considered their potential impact, their likelihood, what controls it has in place and what steps it can take to mitigate such risks. The Company's principal risks and uncertainties can be broadly grouped as - operational, business, financial/credit and market risk.

a) Operational risk
The operational risks faced by the Company include system failures, fraud, theft, failure to comply with taxation requirements and breach of regulatory rules and other legislation. The potential impact of these risks could include monetary fines or, in the worst case, the Company being removed as the investment manager of the underlying funds. The Company considers its control environment around such operational risks to be robust. Therefore the likelihood of these risks resulting in a significant negative impact on the Company is considered remote.

b) Business risk
The business risks facing the Company includes the performance of the underlying funds, which directly impacts the level of revenue the Company generates. The regulatory environment is the other risk directly impacting the Company's ability to carry out investment management activities. Management continously review its current and potential risks and implements strategies to ensure the business is safeguarded.

The Company has appropriate controls in place to identify and address business risks relating to changes in the regulatory environment and to prevent breach of regulatory rules and other legislation. The ongoing uncertainty surrounding the manner in which the United Kingdom will depart from the European Union is likely to contribute to the Company's business risk. The Company has put in place contingency measures to counter this risk. The directors consider it commercially sensitive to disclose any futher details on the measures put in place.

However, the directors are of the opinion the funds managed by the Company are well established and have sufficient assets under management to withstand such risks and uncertainties.

c) Financial / credit risk
The Company is exposed to credit risk through its cash deposits, trade debtors and group balances. The Company will hold all cash with banks whom the Company has strong, well-established relationships and who typically have at least a investment grade rating with Moody's or S&P.

d) Market risk
The Company's exposure to market risk is primarily the foreign exchange risk arising from the mismatch between the Company's cashflows and its functional currency. The Company does not actively seek to hedge its exposure to foreign exchange risk.

In accordance with the AIFMD, the Company has published information on its risk management objectives and also policies on regulatory capital requirements and resources at the following website link: https://www.algebris.com/disclaimer/

Signed on behalf of the board of directors

D. Serra
Director
Date: ...18... April 2019

Statement of Directors' Responsibilities in Respect of The Strategic Report, The Directors' Report and The Financial Statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 and then apply them consistently;
- make judgements 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; and
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Directors of Algebris (UK) Limited

We have audited the financial statements of Algebris (UK) Limited ("the Company") for the year ended 31 December 2018, which comprise the statement of financial position as at 31 December 2018, and the related statements of comprehensive income, changes in equity, and cash flows for the year then ended, and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;

- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover these reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report or the directors' report;

- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

- in our opinion these reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Independent Auditor's Report to the Directors of Algebris (UK) Limited *(continued)*

Directors' responsibilities

As explained more fully in their directors' responsibility statement, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Sinead O'Reilly

Sinead O'Reilly (Senior Statutory Auditor)
for and behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: ...18... April 2019

Statement of Financial Position as at 31 December 2018

	Note	31 December 2018 €	31 December 2017 €
Fixed assets			
Tangible assets	7	1,806,855	1,700,558
Intangible assets	8	1,035,819	-
		2,842,674	1,700,558
Current assets			
Debtors			
- amounts falling due within one year	9	25,823,318	53,668,116
- amounts falling due after one year	9	20,733,151	20,133,151
Cash at bank and in hand	17 (b)	15,529,489	30,826,674
Current assets		62,085,958	104,627,941
Creditors: Amounts falling due within one year	10	(23,477,823)	(66,598,249)
Net current assets		38,608,135	38,029,692
Total assets less current liabilities		41,450,809	39,730,250
Creditors: Amounts falling due after one year	11	(530,470)	(347,084)
Provisions for liabilities	12	(83,086)	(18,217)
Net assets		40,837,253	39,364,949
Capital and reserves			
Called up share capital	13	300,002	300,002
Share premium		1,499,998	1,499,998
Profit and loss account		39,037,253	37,564,949
Total shareholders' funds		40,837,253	39,364,949

The accounting policies and the notes on pages 12 to 21 form an integral part of these financial statements.

The financial statements on pages 8 to 21 were approved by the Board of Directors on 18 April 2019 and were signed on their behalf by:

D. Serra
Director

Statement of Comprehensive Income for the Year Ended 31 December 2018

	Note	Year Ended 31 December 2018 €	Period from 2 August 2016 to 31 December 2017 €
Turnover	3 (c)	85,020,773	132,572,589
Administrative expenses		(74,907,552)	(86,348,490)
Operating profit	4	10,113,221	46,224,099
Interest receivable	9	600,678	133,791
Interest payable and similar charges		-	(44)
Profit on ordinary activities before taxation		10,713,899	46,357,846
Tax on profit	6	(2,541,595)	(8,792,897)
Profit for the financial period		8,172,304	37,564,949

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

There was no other comprehensive income in the financial year and therefore the total comprehensive income is stated in the amounts above.

The accounting policies and the notes on pages 12 to 21 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2018

	Note	Called up share capital €	Share premium €	Profit and loss account €	Total €
Balance as at 1 January 2018		300,002	1,499,998	37,564,949	39,364,949
Profit for the financial period		-	-	8,172,304	8,172,304
Total comprehensive income for the period		300,002	1,499,998	45,737,253	47,537,253
Equity dividends paid	14	-	-	(6,700,000)	(6,700,000)
Total transactions with owners, recognised		-	-	(6,700,000)	(6,700,000)
Balance as at 31 December 2018		300,002	1,499,998	39,037,253	40,837,253

	Note	Called up share capital €	Share premium €	Profit and loss account €	Total €
Balance as at incorporation (2 August 2016)		-	-	-	-
Profit for the financial period		-	-	37,564,949	37,564,949
Total comprehensive income for the period		-	-	37,564,949	37,564,949
Capital introduced		300,002	1,499,998	-	1,800,000
Total transactions with owners, recognised directly in equity		300,002	1,499,998	-	1,800,000
Balance as at 31 December 2017		300,002	1,499,998	37,564,949	39,364,949

The accounting policies and the notes on pages 12 to 21 form an integral part of these financial statements.

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Statement of Cash Flows for the Year Ended 31 December 2018

	Note	Year Ended 31 December 2018 €	Period from 2 August 2016 to 31 December 2017 €
Net cash (used in) / from operating activities	17 (a)	(6,760,041)	50,780,275
Cash flow (used in) / from investing activities			
Purchase of tangible fixed assets	7	(627,215)	(1,889,702)
Purchase of intangible fixed assets	8	(1,140,351)	-
Loan to group entity		-	(20,000,000)
Interest received		678	640
Net cash (used in) investing activities		(1,766,888)	(21,889,062)
Cash flow from financing activities			
Proceeds from issue of share capital		-	1,800,000
Dividends paid	14	(6,700,000)	-
Interest paid		-	(44)
Net cash (used in) / generated from financing activities		(6,700,000)	1,799,956
Net movement in cash and cash equivalents		(15,226,929)	30,691,169
Cash and cash equivalents at the beginning of the period		30,659,402	-
Impact of foreign exchange on cash and cash equivalents		97,016	(31,767)
Cash and cash equivalents at the end of the year / period	17 (b)	15,529,489	30,659,402

The accounting policies and the notes on pages 12 to 21 form an integral part of these financial statements.

Notes to the financial statements

1 General Information

Algebris (UK) Limited (the "Company") is a private company limited by shares and is incorporated and domiciled in England and Wales. The Company was incorporated on 2 August 2016. The address of its registered office is 4th Floor, 1 St James's Market, London, SW1Y 4AH.

During the current year the Company set up a permanent establishment; Algebris (UK) Limited - Milan Branch ("the Milan Branch").

The directors regard Algebris Investments (Luxembourg) S.a.r.l ("Algebris Luxembourg"), a company registered in the Grand Duchy of Luxembourg, as the immediate holding company. The ultimate controlling party is D. Serra.

The Company is part of a wider group called "The Algebris Group", headed by Algebris Luxembourg. The Algebris Group consists of; Algebris Investments Limited ("Algebris Limited"), a Company incorporated and domiciled in England and Wales and a subsidiary of Algebris Luxembourg, Algebris Investments (Asia) Pte. Limited ("Algebris Asia"), a private corporation registered in the Republic of Singapore and a subsidiary of Algebris Luxembourg, Algebris Investments (UK) LLP ("Algebris LLP"), a limited liability partnership incorporated and domiciled in England and Wales and a subsidiary of Algebris Limited, Algebris Investments (US) Inc. ("Algebris US"), a private corporation incorporated under the laws of the State of Delaware and a subsidiary of Algebris Limited, Algebris Investments K.K. ("Algebris Japan"), a company incorporated in Japan and Algebris S.r.l ("Algebris Italy"), a private company registered in Italy and a subsidiary of Algebris LLP.

Unless otherwise noted, comparatives reference to "period ended 31 December 2017" in the financial statements, is the period from 2 August 2016 to 31 December 2017 for Algebris (UK) Limited excluding the permanent establishment.

2 Statement of Compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland* ("FRS 102").

3 Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the the period presented, unless otherwise stated.

(a) Basis of accounting
The financial statements have been prepared on the going concern basis under the historical cost convention, except for the modification to a fair value basis for certain financial instruments in accordance with FRS 102, as specified in the accounting policies below.

(b) Estimates and judgements
The preparation of these financial statements in conformity with FRS 102 requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts in the financial statements and accompanying notes.

Management believes the estimates utilised in preparing these financial statements are reasonable and prudent; however, actual results could differ from these estimates. Revisions to accounting estimates are recognised in the period which the estimate is revised and in any future periods affected.

(c) Turnover
Turnover represents fees receivable during the period in respect of the investment management and related services. These fees are recognised on an accruals basis. All fees are stated net of Value Added Tax ("VAT").

(d) Foreign currency
(i) Functional and presentation currency
The Company's functional and presentation currency is the Euro.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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

All foreign exchange gains and losses are taken to the Statement of Comprehensive Income.

Notes to the financial statements *(continued)*

3 Accounting Policies *(continued)*

(e) Taxation
Taxation expense for the year comprises current tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

(i) Current tax
Current tax is the amount of corporation tax payable in respect of the taxable profit for the year. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Current taxation assets and liabilities are not discounted.

(ii) Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

(f) Tangible fixed assets and depreciation
Tangible fixed assets are recognised at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful economic life, as follows;

IT equipment	over 1 - 4 years straight line
Fixtures and fittings	over 3 - 4 years straight line
Leasehold Property	over the lease term
Transportation equipment	over 4 - 5 years straight line

(g) Intangible fixed assets and depreciation
Goodwill represents the excess of the cost of acquisition over the fair value of the Company's share of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is stated at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a systematic basis over its useful life as below;

Goodwill	over 10 years straight line
Software	over 3 years straight line

(h) Impairment of assets
At each reporting date goodwill and tangible fixed assets not carried at fair value are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Statement of Comprehensive Income.

(i) Employee benefits
The Company provides gym membership, medical insurance, income protection, critical illness and life cover benefits to employees during the term of their employment with the Company. The costs are recognised as an expense in the year in which they are incurred.

(j) Pensions and other post-retirement benefits
The Company operates a money purchase scheme or group self invested personal pension scheme for all of its employees. Contributions to the scheme are recognsied as an expense in the Statement of Comprehensive Income in the year in which they become payable.

(k) Operating lease commitments
Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Notes to the financial statements *(continued)*

3 Accounting Policies *(continued)*

(l) Cash and cash equivalents
Cash and cash equivalents includes cash in hand and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(m) Financial instruments
The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. The provisions of Sections 11 and 12 deal with the recognising, derecognising, measuring and disclosing of financial instruments. Section 11 applies to basic financial instruments and is relevant to all entities. Section 12 applies to other, more complex financial instruments and transactions.

(i) Financial assets
Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities
Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

4 Operating profit

	Year Ended 31 December 2018 €	Period from 2 August 2016 to 31 December 2017 €
Operating profit is stated after charging / (crediting):		
Depreciation on tangible assets	520,917	189,144
Amortisation on intangible assets	104,532	-
Donations	209,936	221,345
Foreign exchange movement		31,767
Operating lease rentals - leasehold property	659,254	424,104
Services provided by the Company's auditors		
Fees payable to the Company's auditors for the audit of the Company's financial statements	70,281	17,558
Audit related assurance services	17,476	18,359
Fees payable to the Company's auditors for the provision of tax compliance services	11,109	11,265

Notes to the financial statements *(continued)*

5 Directors and employee numbers and costs

Contracts of employment are with the Company and their remuneration is paid by the Company. The average number of persons employed by the Company during the year, analysed by category, was as follows:

	Year Ended 31 December 2018 No.	Period from 2 August 2016 to 31 December 2017 No.
Administrative staff	34	13
Professional staff	26	10
	60	23

The total payroll costs of these persons were as follows:

	Year Ended 31 December 2018 €	Period from 2 August 2016 to 31 December 2017 €
Wages and salaries	12,014,711	11,912,404
Social security costs	1,659,269	1,593,101
Short term benefits	248,826	98,479
Pension contributions	236,596	60,622
	14,159,402	13,664,606

Included in wages and salaries during the current year is directors remuneration of €463,080 (2017: €Nil) in relation to their services to the Company. No directors were members of a defined contribution or defined benefit pension scheme. Aggregate remuneration paid to the highest paid director for qualifying services during the year was €257,628 (2017: €Nil).

6 Tax on profit

	Year Ended 31 December 2018 €	Period from 2 August 2016 to 31 December 2017 €
(a) Tax on profit on ordinary activities		
The tax charge is made up as follows:		
Current tax:		
UK corporation tax at 19%	1,725,028	8,774,680
Overseas tax	751,698	-
Current tax charge	2,476,726	8,774,680
Deferred tax:		
Origination and reversal of timing differences (note 11)	64,869	18,217
Deferred tax charge	64,869	18,217
Tax on profit on ordinary activities	2,541,595	8,792,897

Notes to the financial statements *(continued)*

6 Tax on profit *(continued)*

(b) Factors affecting the total tax charge

Profit on ordinary activities before tax	10,713,899	46,357,846
Profit before tax multiplied by standard rate of corporation tax in the UK 19%	2,035,641	8,807,991
Effects of:		
Expenses not deductible for tax purposes	111,007	41,384
Accelerated capital allowances	(52,270)	(74,695)
Pension cost relief in excess of pension cost charge	(8,140)	-
Higher taxes on overseas profits	390,488	-
Origination and reversal of timing differences	64,869	18,217
Tax on profit on ordinary activities	**2,541,595**	**8,792,897**

The effective rate of corporation tax for the year is 23.49% (2017: 19%). The rate will reduce to 17% with effect from 1 April 2020.

7 Tangible fixed assets

	IT Equipment €	Office Equipment €	Leasehold Property €	Transportation equipment €	Total €
Cost					
At 1 January 2018	177,552	60,610	860,931	790,609	1,889,702
Additions	147,582	142,644	262,989	74,000	627,215
Disposals	-	-	-	-	-
At 31 December 2018	325,134	203,254	1,123,920	864,609	2,516,917
Accumulated depreciation					
At 1 January 2018	(37,869)	(11,328)	(87,241)	(52,706)	(189,144)
Charge for the period	(97,403)	(63,761)	(197,653)	(162,101)	(520,918)
Disposals	-	-	-	-	-
At 31 December 2018	(135,272)	(75,089)	(284,894)	(214,807)	(710,062)
Net book value					
As at 31 December 2018	189,862	128,165	839,026	649,802	1,806,855
As at 31 December 2017	139,683	49,282	773,690	737,903	1,700,558

8 Intangible fixed assets

	Goodwill €	Total €
Cost		
At 1 January 2018	-	-
Acquired during the year	1,140,351	1,140,351
At 31 December 2018	1,140,351	1,140,351
Accumulated amortisation		
At 1 January 2018	-	-
Provided during the year	(104,532)	(104,532)
At 31 December 2018	(104,532)	(104,532)
Net carrying value		
As at 31 December 2018	1,035,819	1,035,819
As at 31 December 2017	-	-

Goodwill arose in the current year from an acquisition of trade and assets from Algebris Italy, a company that is part of the Algebris Group. Please refer to note 19 for further details.

Notes to the financial statements *(continued)*

9 Debtors

	Year Ended 31 December 2018 €	Period from 2 August 2016 to 31 December 2017 €
Fees receivable	10,394,096	46,589,238
Amounts owed by group undertakings	8,061,373	4,881,770
Other debtors	622,032	218,978
Tax recoverable	2,175,379	-
Prepayments and accrued income	4,570,438	1,978,130
	25,823,318	53,668,116

Included within other debtors is a loan receivable of €Nil (2017: €74,760). The loan was assigned to the Company in 2017 by Algebris LLP, a Partnership within the Algebris Group. The loan accrued interest monthly at an annual rate of 1% above the Bank of England Base Rate. The interest is calculated on the principal of the loan and is repaid monthly in arrears. The loan was fully repaid to the Company during the year. Please refer to note 19 for further details.

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

Amounts falling due after more than one year included above are:

Loans owed by group undertakings	20,733,151	20,133,151
	20,733,151	20,133,151

Included withing the loans owed by group undertakings is a balance of €20,000,000 (2017: €20,000,000) to Algebris Asia, a fellow subsidiary of Algebris Luxembourg. The balance of €20,733,151 (2017: €20,133,151) includes interest accrued of €600,000 (2017: €133,151) not yet paid. The loan is unsecured, accrues interest at the rate of 3% per annum as published by HMRC as at the date of the agreement and repayable within 90 Business Days of a demand by Algebris UK.

10 Creditors: Amounts falling due within one year

	Year Ended 31 December 2018 €	Period from 2 August 2016 to 31 December 2017 €
Amounts due to group undertakings	4,459,051	32,621,953
Bank overdraft	-	167,272
Trade creditors	6,317,319	9,653,640
Other creditors	185,664	117,026
Taxation and social security	356,074	8,774,680
Accruals	12,159,715	15,263,678
	23,477,823	66,598,249

Included within trade creditors is a balance of €62,224 (2017: €8,464,107) due to Algebris LLP, a Partnership within the Algebris Group. Please refer to note 19 for further details.

The Company does not have a formal overdraft facility in place.

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

11 Creditors: Amounts falling due after one year

	Year Ended 31 December 2018 €	Period from 2 August 2016 to 31 December 2017 €
Other creditors	530,470	347,084
	530,470	347,084

Notes to the financial statements *(continued)*

12 Provisions for liabilities

	Deferred tax €	Year Ended 31 December 2018 €	Period from 2 August 2016 to 31 December 2017 €
As at 1 January 2018	18,217	18,217	-
Arising during the year	64,869	64,869	18,217
As at 31 December 2018	83,086	83,086	18,217

Deferred taxation liabilities represent sums that might become payable in tax in future years as a result of transactions that have occurred in the current year.

13 Share capital

	Year Ended 31 December 2018 Number	Year Ended 31 December 2018 €	Period from 2 August 2016 to 31 December 2017 Number	Period from 2 August 2016 to 31 December 2017 €
Ordinary shares of €1 each	300,002	300,002	300,002	300,002

The ordinary shares carry full rights to receive notice of, attend and vote at general meetings. Each ordinary share carries one vote, and full rights to dividends and capital distributions, including upon winding up.

14 Dividends

	Year Ended 31 December 2018 Per share €	Year Ended 31 December 2018 €	Period from 2 August 2016 to 31 December 2017 Per share €	Period from 2 August 2016 to 31 December 2017 €
Equity dividends on ordinary shares	22.33	6,700,000	-	-
		6,700,000		-

15 Financial assets and liabilities

	Note	Year Ended 31 December 2018 €	Period from 2 August 2016 to 31 December 2017 €
Financial assets measured at amortised cost:			
Trade debtors		10,394,096	46,589,238
Other debtors		31,591,935	25,233,899
Total	9	41,986,031	71,823,137
Financial liabilities measured at amortised cost:			
Trade creditors		6,317,319	9,653,640
Other creditors		4,644,715	32,738,979
Total	10	10,962,034	42,392,619

Notes to the financial statements *(continued)*

16 Financial risk management

The Company's principal risks and uncertainties can be broadly grouped as currency risk, credit risk and liquidity risk.

Risk management is integral to the business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitor the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

Currency risk
The Company's exposure to currency exchange risk is primarily in relation to the risk arising from the mismatch of investment management and performance fees received and purchases that are denominated in currencies other than the functional currency of the Company. The Company does not actively seek to hedge its exposure to foreign exchange risk.

Credit risk
The Company's exposure to credit risk arises mainly through its trade receivables, group loan and cash and cash equivalents. Exposure to credit risk is monitored on an ongoing basis. The Company will hold all cash with banks whom the Company has strong, well-established relationships and who typically have a minimum Moody's or S&P rating of investment grade. At the reporting date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of Financial Position.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The objective of the Company in managing liquidity risk is to ensure it can meet its financial obligations as and when they fall due. The Company expects to meet its financial obligations through operating cashflows. In the event that the operating cashflows would not cover all the financial obligations the Company has cash reserves and credit facilities available.

17 Notes to the Statement of Cash Flows

(a) Cash flows from operating activities	Year Ended 31 December 2018 €	Period from 2 August 2016 to 31 December 2017 €
Profit for the financial period	8,172,304	37,564,949
Adjustments for:		
- Tax for the year	2,541,595	8,792,897
- Depreciation	520,918	189,145
- Amortisation	104,532	-
- Interest expense	-	44
- Interest income	(600,678)	(133,791)
- Foreign exchange (gain) / loss	(97,016)	31,766
	10,641,655	46,445,010
Working capital movements:		
Decrease / (Increase) in debtors	30,020,177	(53,668,116)
(Decrease) / Increase in creditors	(33,995,088)	58,003,381
	6,666,744	50,780,275
Income taxes paid	(13,426,785)	-
Cash flows (used in) / from operating activities	(6,760,041)	50,780,275

(b) Cash and cash equivalents

	Year Ended 31 December 2018 €	Period from 2 August 2016 to 31 December 2017 €
Cash at bank and in hand	15,529,489	30,826,674
Bank overdraft	-	(167,272)
	15,529,489	30,659,402

Notes to the financial statements *(continued)*

18 Contingent liabilities and commitments

Other than the commitments listed below, the Company had no commitments or contingent liabilities noted at 31 December 2018.

The operating lease of the premises is for a period of ten years, with the option for a first break on 13 April 2020. The minimum lease payments under the non-cancellable operating lease due later than one year and not later than five years is €933,767 (2017: €1,656,817).

In 2017, the Company pledged a donation of the sum of €1,000,000 to Universita Commerciale "Luigi Connoni" ("Bocconi University"), to be paid in ten installments of €100,000 per year, 2017 being the first year. The donation is designated to finance student scholarships in support of two of the University's key priorities: merit-based awards to attract the most talented students in the world and need-based grants to help open the doors of Bocconi to outstanding students regardless of their economic background.

Included within donations is a charge of €100,000 (2017: €100,000) paid to Bocconi University. Amounts contracted as part of a binding agreement but not provided in the financial statements amounted to €800,000 (2017: €900,000) as at 31 December 2018. Donations to Bocconi University are expensed to the Statement of Comprehensive Income when paid.

19 Related party transactions

The Company is a subsidiary of Algebris Investments (Luxembourg) S.a.r.l, whose ultimate controlling party is D. Serra.

Algebris Luxembourg
During the current year, the Company entered into a service fee agreement with Algebris Luxembourg for the provision of back office support services.The service fee charged by Algebris Luxembourg to the Company was €901,488 excl. VAT. During the current year, the Company made payments on behalf of Algebris Luxembourg of €274,759 (2017: €567,478) and intercompany payments to Algebris Luxembourg of €200,000 (2017: €Nil).The balance due from Algebris Luxembourg at the year end was €176,155.

Algebris LLP
During the current year, Algebris LLP charged the Company a service fee of €91,416 (2017: €8,204,185) excl. VAT for the provision of back office and support services. The balance due to Algebris LLP included within trade creditors at the year end was €62,224 (2017: €8,204,185).

During the current year, the Company purchased prepaid commercial contracts in respect of day to day running of the business worth €Nil (2017: €678,240) from Algebris LLP. No payments made in the current year (2017: €678,240).

Included within other debtors is a loan receivable of €Nil (2017: €74,760). The loan was assigned to the Company in 2017 by Algebris LLP. The loan accrued interest monthly at an annual rate of 1% above the Bank of England Base Rate. The interest is calculated on the principal of the loan and is repaid monthly in arrears. The loan was inturn fully repaid to the Company on 31 August 2018.

During the current year, Algebris LLP incurred expenses of €11,591 (2017: €27,606), made payments of €Nil (2017: €641,673) and received payments of €Nil (2017: €72,971) on behalf of the Company. The Company received payments on behalf of Algebris LLP of €Nil (2017: €85,988) and made payments on behalf of Algebris LLP of €1,247,386 (2017: €3,829,266). The Company received payments from Algebris LLP in respect of intercompany settlements of €5,660,944 (2017: €1,888,418 payments to Algebris LLP) during the year. The balance due to Algebris LLP from the Company at the year end was €53,365 (2017: €4,307,070 due from Algebris LLP).

Algebris Asia
During the current year, the Company was charged €3,183,022 (2017: €26,350,397) of research and advisory fees by Algebris Asia. During the current year, the Company made payments of €660,896 (2017: €304,778) on behalf of Algebris Asia and settled intercompany balances to the tune of €27,080,261 (2017: €7,282,326.) During the current year Algebris Asia made payments of €1,535 (2017: €1,451) on behalf of the Company. Included within amounts due from group undertakings at the year end, was a balance of €5,821,428 (2017: 18,712,480 due to Algebris Asia) due from Algebris Asia.

Included within the loans owed by group undertakings is a balance of €20,000,000 (2017: €20,000,000) to Algebris Asia, a fellow subsidiary of Algebris Luxembourg. The balance of €20,733,151 (2017: €20,133,151) includes interest accrued of €600,000 (2017: €133,151) not yet paid. The loan is unsecured, accrues interest at the rate of 3% per annum as published by HMRC as at the date of the agreement and repayable within 90 Business Days of a demand by Algebris UK.

Algebris US
During the current year, the Company was charged €5,940,755 (2017: €6,373,111) of research and advisory fees by Algebris US. During the current year, the Company made payments of €46,313 (2017: €9,881) on behalf of Algebris US and settled intercompany balances to the tune of €7,094,623 (2017: €790,693). During the current year Algebris US made payments of €12 (2017: €1,749) on behalf of the Company. Included within amounts due to group undertakings at the period end, was a balance of €4,261,106 (2017: €5,458,615) due to Algebris US.

Algebris Italy
During the current year, the Company was charged €702,749 (2017: €10,375,411) of research and advisory fees by Algebris Italy.From 1 February 2018 Algebris Italy ceased to provide research and advisory services to the Company. During the current year, the Company recharged expenses of €Nil (2017: €18,870) to Algebris Italy and settled intercompany balances to the tune of €9,017,830 (2017: €2,050,000). During the current year Algebris Italy recharged expenses of €Nil (2017: €8,540) to the Company. As at the year end, a balance of €Nil (2017: €8,315,081) was due to Algebris Italy.

During the current year, the Company acquired the trade and assets with a fair value of €6,817,222 from Algebris Italy for a consideration of €7,957,573. The excess of consideration paid over the value of net assets has given rise to goodwill on acquisition (note 8).

Notes to the financial statements *(continued)*

19 Related party transactions *(continued)*

Algebris Limited
During the current year, the Company purchased tangible fixed assets worth €Nil (2017: €123,904) equal to €Nil (2017: the net book value as at 1 June 2017) from Algebris Limited. During the year, the Company was charged €10,665 (2017: €15,088) in respect of recharged expenses by Algebris Limited. As at the period end, a balance of €144,580 (2017: €135,777) was due to Algebris Limited.

Algebris Japan
During the current year, the Company was charged €1,128,287 (2017: €Nil) of back office support services by Algebris Japan. During the current year, the Company made payments of €359,982 (2017: €Nil) on behalf of Algebris Japan and settled intercompany balances to the tune of €1,283,242 (2017: €Nil). Included within amounts due from group undertakings at the year end, was a balance of €532,187 (2017: €Nil) due from Algebris Japan.

20 Ultimate controlling party

The Company's parent company is Algebris Investments (Luxembourg) S.a.r.l.

The Company's ultimate controlling party is D. Serra.

21 Events after the reporting period

There were no events to report after the year end date.