

AMMENDED

Fulcrum Asset Management LLP

Annual report and financial statements

For the year ended 31 December 2017



Fulcrum Asset Management LLP

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Fulcrum Asset Management LLP

Information

Designated members	G Davies A D Stevens
Members	S Shaikh J Davidson A J N Bedford A M Bevan FAM Services Limited T Meggs N Abdoula
LLP registered number	OC306401
Registered office	Marble Arch House 66 Seymour Street London W1H 5BT
Independent auditor	Ernst & Young LLP 25 Churchill Place London E14 5EY
Bankers	Coutts & Co 188 Fleet Street London EC4A 2HY

Fulcrum Asset Management LLP

Members' report For the year ended 31 December 2017

Amendment

Following a final review of the financial statements post submission to Companies House it was noted that incorrect wording was included in the principal activity note. This has been corrected below. In addition, the geographical analysis of turnover in note 4 has been amended.

Introduction

The members present their annual report together with the audited financial statements of Fulcrum Asset Management LLP (the "LLP") for the year ended 31 December 2017.

Principal activity and review of the business

The principal activity of the LLP in the year under review was that of investment fund management. The LLP manages a range of UCITS compliant pooled investment vehicles domiciled in Luxembourg and the UK, Alternative Investment Funds domiciled in Luxembourg, an Australian Trust and a US mutual fund. The LLP also acts as the sub-manager to a range of Cayman domiciled alternative investment funds managed by Fulcrum Asset Management Limited (the LLP's ultimate parent undertaking, domiciled in the Cayman Islands). The aggregate assets under management of the LLP at 31 December 2017 were £4.8bn (2016: £4.8bn). The LLP is authorised to conduct investment business by the Financial Conduct Authority ("FCA").

The LLP incorporated a new subsidiary, Fulcrum Asset Management GmbH during the year to market its funds in Germany. Fulcrum Asset Management GmbH is incorporated and registered in Germany.

Turnover for the year amounted to £26,041,644 (2016: £18,950,317) which resulted in a profit before members' remuneration and discretionary profit allocations of £9,440,759 (2016: £4,540,093). An allocation totalling £3,826,743 (2016: £2,155,496) was made out of prior year reserves while an allocation of £200,000 (2016: £700,000) was made to the corporate member out of current year profits in order to offset tax liabilities of the corporate member and for regulatory capital purposes.

Future developments

There are no plans, for the foreseeable future, that will significantly change the activities and risks of the LLP.

Principal risks and uncertainties

The principal risks and uncertainties affecting the LLP relate to the performance of the underlying funds it manages and the impact that performance has on the ability to attract and retain investors and, hence, maintain stable revenues for the LLP. The funds advised by the LLP and its affiliates are subject to various market, counterparty, operational and regulatory risks that can ultimately have an impact on the business. To the extent possible, the LLP continues to monitor and improve its controls and processes to provide the proper infrastructure for managing the funds. Other risks and uncertainties relate to the ability to attract and retain key investment executives.

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

The LLP uses forward foreign currency contracts to the potential volatility of income entitlement arising from reduce exposure to the variability of foreign exchange rates by fixing the rate of any material revenue entitlements dominated in a foreign currency. Hedge accounting is used when certain criteria are met as explained in accounting policy note 2.13.

Fulcrum Asset Management LLP

Members' report (continued) **For the year ended 31 December 2017**

Going concern

The LLP has sufficient financial resources to meet its existing liabilities. It is envisaged that assets under management will be maintained at such a level that the related management fee income will continue to exceed costs during the next twelve months. The future profitability of the LLP is dependent on maintaining assets under management from which to generate future revenues. Whilst the level of assets under management is subject to market volatility and potential investor redemptions, the Funds have a diversified investor base that mitigate the effects of redemptions by one or more investors and the subsequent impact on the management fee.

The members have assessed the going concern status of the LLP and concluded that there are no material uncertainties that may cast significant doubt about the LLP's ability to continue as a going concern. They therefore continue to adopt a going concern basis of accounting in preparing the financial statements.

Members' capital and profit allocations

Policies for members' drawings, subscriptions and repayment of members' capital are governed by the LLP Deed dated 9 March 2016 ("LLP Deed"). In summary, each member shall upon admission to the LLP make a capital contribution of such amount as shall be determined by all the founder members. No member shall have the right to withdraw or receive back any part of the capital contribution except upon the winding-up of the LLP or on ceasing to be a member. Repayment of members' capital is determined at the discretion of the founder members.

Members are entitled to drawings from the LLP at the discretion of the members in anticipation of the allocation of future profits. If drawings are made in excess of allocated profits, the overdrawn balance shall be treated as an interest free loan to the Member. If aggregate profit allocations exceed drawings made by members, the residual balance is treated as a loan amount due to the member.

Details of changes in members' capital in the year ended 31 December 2017 are set out in the Reconciliation of members' interests.

Profits are allocated among members in accordance with the LLP Deed dated 9 March 2016 by the LLP's founder members (as defined in the LLP Deed). With the exception of certain deferred remuneration entitlements payable to members, all allocations made to members are discretionary.

Pillar 3 disclosure

Details of the LLP's unaudited Pillar 3 disclosures, required under Chapter 11 of the FCA's Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU"), are posted on the LLP's website and can be viewed at www.fulcrumasset.com/About/Disclosures/.

Stewardship code

The unaudited UK stewardship code disclosures of the LLP as applied to BIPRU firms by COBS 2.2.3 – Disclosure of commitments to the Financial Reporting Council's Stewardship Code are available from the LLP's website at www.fulcrumasset.com.

Fulcrum Asset Management LLP

Members' report (continued)
For the year ended 31 December 2017

Members

The members of the LLP during the year and up to the date of this report were as follows:

G Davies *
A D Stevens *
S Shaikh
J Davidson
A J N Bedford
A M Bevan
FAM Services Limited
T Meggs
N Abdoula

*Denotes Designated Member

Statement of disclosure of information to the auditor


Each member at the time when this Members' report is approved has confirmed that:

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

Independent auditor

The auditor, Ernst & Young LLP, has indicated its willingness to continue in office. The Designated members will propose a motion re-appointing the auditor at a meeting of the members.

This report was approved by the members on 25 April 2018 and signed on their behalf by:


J Davidson
Member

Fulcrum Asset Management LLP

Members' responsibilities statement For the year ended 31 December 2017

The members are responsible for preparing the Members' report and the financial statements in accordance with applicable law and regulations.

The Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 made under the Limited Liability Partnerships Act 2000 requires the members to prepare financial statements for each financial year. Under this regulation the members 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 LLP law, the members must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing these financial statements, the members 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to the LLP by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Fulcrum Asset Management LLP (continued)

Opinion

We have audited the financial statements of Fulcrum Asset Management LLP ('the LLP') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, Reconciliation of Members' Interests and the related notes 1 to 17, 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the LLP'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; including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

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 "Auditor's responsibilities for the audit of the financial statements" section of our report below. We are independent of the LLP in accordance with the ethical requirements in the UK that are relevant to our audit of the financial statements, including the FRC'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.

Use of our report

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the 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 LLP and the LLP's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the LLP'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.

Independent auditor's report to the members of Fulcrum Asset Management LLP (continued)

Other information

The other information comprises the information included in the annual report set out on pages 2 to 4. The members are responsible for the other information.

Our opinion on the financial statements does not cover the other information and 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships 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
- ▶ we have not received all the information and explanations we require for our audit.

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement set out on page 5, the members 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 members 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 members are responsible for assessing the LLP'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 members either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Fulcrum Asset Management LLP

Independent auditor's report to the members of Fulcrum Asset Management LLP (continued)

Auditor's 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 auditor's 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Neil Parker (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

April 2018

Fulcrum Asset Management LLP

**Statement of comprehensive income
For the year ended 31 December 2017**

	<i>Note</i>	<i>2017</i> £	<i>2016</i> £
Turnover	4	26,041,644	18,950,317
Administrative expenses		(16,552,789)	(14,242,524)
Unrealised gain on financial assets held at fair value		25,122	4,556
Operating profit	5	<u>9,513,977</u>	<u>4,712,349</u>
Interest receivable and similar income	7	2,832	1,060
Unrealised loss from derivative contracts	14	-	(98,166)
Profit before taxation		<u>9,516,809</u>	<u>4,615,243</u>
Taxation	8	(76,050)	(75,150)
Profit for the financial year before members' remuneration		<u>9,440,759</u>	<u>4,540,093</u>
Members' remuneration charged as an expense		(49,449)	(12,768)
Profit for the financial year available for discretionary division among members	9	<u>9,391,310</u>	<u>4,527,325</u>
Other comprehensive income			
Transfer of previously recognised loss to turnover upon maturity of derivative contracts		417,811	178,261
Unrealised gain/(loss) on derivative contracts		254,234	(417,811)
Other comprehensive income/(loss) for the financial year		<u>672,045</u>	<u>(239,550)</u>
Total comprehensive income for the financial year		<u><u>10,063,355</u></u>	<u><u>4,287,775</u></u>

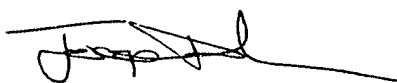
All amounts are from continuing activities.

The notes on pages 12 to 22 form part of these financial statements.

Statement of financial position
As at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	10	447,044	64,669
Current assets			
Debtors: Amounts falling due within one year	11	8,237,060	3,828,880
Cash and cash equivalents	12	7,477,768	6,841,872
		15,714,828	10,670,752
Creditors: Amounts falling due within one year	13	(1,142,786)	(2,932,730)
Net current assets		14,572,042	7,738,022
Net assets attributable to members		15,019,086	7,802,691
Represented by:			
Loans and other amounts due to members within one year	15	2,249,958	1,230,175
Members' other interests			
Members' capital classified as equity		3,285,000	3,125,000
Cash flow hedge reserve		254,234	(417,811)
Other reserves		9,229,894	3,865,327
Total members' other interests		12,769,128	6,572,516
Total equity and liabilities		15,019,086	7,802,691
Total members' interests			
Amounts due from members (included in trade and other debtors)	11	(5,316,881)	(1,924,926)
Loans and other debtors due to members		2,249,958	1,230,175
Members' other interests		12,769,128	6,572,516
		9,702,205	5,877,765

The financial statements were approved and authorised for issue by the members on 25 April 2018 and were signed on their behalf by:


J Davidson
Member

The notes on pages 12 to 22 form part of these financial statements.

Reconciliation of members' interests
For the year ended 31 December 2016

	<i>Members' capital classified as equity</i> £	<i>Cash flow hedge reserve</i> £	<i>Other reserves</i> £	<i>Total members' other interests</i> £	<i>Loans and other debts due to/from members</i> £	<i>Total members' interests</i> £
At 1 January 2016	2,180,000	(178,261)	2,193,498	4,195,237	(769,370)	3,425,867
Member's remuneration charged as an expense	-	-	-	-	12,768	12,768
Total comprehensive (loss)/income						
Profit for the year available for discretionary division among members	-	-	4,527,325	4,527,325	-	4,527,325
Transfer to profit and loss on maturity of derivative contract	-	178,261		178,261	-	178,261
Unrealised loss on derivative contract	-	(417,811)		(417,811)	-	(417,811)
Total comprehensive (loss)/income for the financial year	-	(239,550)	4,527,325	4,287,775	-	4,287,775
Members' interests after profit for the year	2,180,000	(417,811)	6,720,823	8,483,012	(756,602)	7,726,410
Transactions with members						
Profit allocated for the year	-	-	(2,855,496)	(2,855,496)	2,855,496	-
Capital introduced by members	950,000	-	-	950,000	-	950,000
Capital repaid to members	(5,000)	-	-	(5,000)	-	(5,000)
Distributions to members	-	-	-	-	(1,950,607)	(1,950,607)
Other transactions with members	-	-	-	-	(843,038)	(843,038)
Amounts due to members	-	-	-	-	1,230,175	1,230,175
Amounts due from members	-	-	-	-	(1,924,926)	(1,924,926)
At 31 December 2016	3,125,000	(417,811)	3,865,327	6,572,516	(694,751)	5,877,765

The notes on pages 12 to 22 form part of these financial statements.

Reconciliation of members' interests (continued)
For the year ended 31 December 2017

	<i>Members' capital classified as equity</i> £	<i>Cash flow hedge reserve</i> £	<i>Other reserves</i> £	<i>Total members' other interests</i> £	<i>Loans and other debts due to/from members</i> £	<i>Total members' interests</i> £
At 1 January 2017	3,125,000	(417,811)	3,865,327	6,572,516	(694,751)	5,877,765
Member's remuneration charged as an expense	-	-	-	-	49,449	49,449
Total comprehensive income						
Profit for the year available for discretionary division among members	-	-	9,391,310	9,391,310	-	9,391,310
Transfer to profit and loss on maturity of derivative contract	-	417,811	-	417,811	-	417,811
Unrealised gain on derivative contract	-	254,234	-	254,234	-	254,234
Total comprehensive income for the financial year	-	672,045	9,391,310	10,063,355	-	10,063,355
Members' interests after profit for the year	3,125,000	254,234	13,256,637	16,635,871	(645,302)	15,990,569
Transactions with members						
Profit allocated for the year	-	-	(4,026,743)	(4,026,743)	4,026,743	-
Capital introduced by members	160,000	-	-	160,000	-	160,000
Distributions to members	-	-	-	-	(7,268,147)	(7,268,147)
Other transactions with members	-	-	-	-	819,783	819,783
Amounts due to members	-	-	-	-	2,249,958	2,249,958
Amounts due from members	-	-	-	-	(5,316,881)	(5,316,881)
At 31 December 2017	3,285,000	254,234	9,229,894	12,769,128	(3,066,923)	9,702,205

The notes on pages 12 to 22 form part of these financial statements.

**Notes to the financial statements
For the year ended 31 December 2017**

1. General information

Fulcrum Asset Management LLP is a limited liability partnership incorporated and domiciled in England and Wales. The address of the registered office and principal place of business is Marble Arch House, 66 Seymour Street, London, W1H 5BT.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102") and the Companies Act 2006 and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" issued in January 2017.

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

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The LLP has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 3 Financial Statement Presentation and Section 7 Statement of Cash flows to include a Statement of cash flows in the financial statements;
- the requirements of Section 11 Financial Instruments to disclose:
 - the carrying value of financial assets and liabilities measured at amortised cost and income, expense or gains and losses on financial assets and liabilities measured at amortised cost;
 - Terms and conditions associated with financial instruments;

This information is included in the consolidated financial statements of FAM Services Limited as at 31 December 2017 and these financial statements may be obtained from www.companieshouse.gov.uk.

Notes to the financial statements (continued)
For the year ended 31 December 2017

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The LLP's functional and presentational currency is British Pound Sterling.

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.

2.4 Exemption from preparation of consolidated financial statements

The LLP is exempt from the preparation of consolidated financial statements as set out in section 9.3 of FRS 102, on the grounds that the LLP and its subsidiaries are included in the consolidated financial statements of FAM Services Limited as at 31 December 2017 and those consolidated financial statements are publicly available.

These financial statements are thus the individual financial statements of the LLP and do not incorporate the results and activities of the LLP's subsidiaries.

2.5 Turnover

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

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

2.6 Expenses

Except as noted, expenses are recognised on an accruals basis in the period that goods or services are received.

Notes to the financial statements (continued)
For the year ended 31 December 2017

2. Accounting policies (continued)

2.7 Interest income

Interest income is recognised on an accruals basis in the statement of comprehensive income using the effective interest method.

2.8 Taxation

No provision is made for corporation tax in the financial statements of the LLP in prior periods as each member is exclusively liable for any tax liabilities arising out of their interest in the LLP which are assessed on the individual members and not on the LLP.

However, the LLP has established a rewards scheme that complies with the remuneration requirements within the AIFM guidelines whereby a portion of the profits allocated to partners is deferred to future periods. The tax liability on this deferred allocation is assessed on the LLP, rather than the individual, and as such a tax charge is recognised in the Statement of comprehensive income to reflect this liability.

2.9 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Policy for recognition and de-recognition

Investment held in the Funds managed by the LLP are held at fair value through profit or loss. These assets are remeasured to fair value at each Statement of financial position date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period.

Policy for calculation of gains/losses on disposal.

The fair value of investments in the Funds is determined based on the unit prices published by the fund administrators.

2.10 Debtors

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

2.11 Cash and cash equivalents

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

Notes to the financial statements (continued)
For the year ended 31 December 2017

2. Accounting policies (continued)

2.12 Creditors

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

2.13 Derivatives and hedge accounting

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

Hedges of forecast transactions are treated as cash flow hedges. The valuation movement attributable to the effective portion of the cash flow hedges is recognised as other comprehensive income in the Cash flow hedge reserve and is offset against exchange gain and loss arising from the forecast transaction when the forecast transaction is included in the statement of comprehensive income. The in-effective portion of the cash flow hedges is recognised in statement of comprehensive income in the period that it occurs.

2.14 Members' capital and profit allocations

Capital contributed by members is recognised as equity in the financial statements of the LLP on the basis that, in accordance with the Partnership Agreement, capital is only repayable to members at the discretion of the Designated Members. The LLP has no obligation to repay capital to members.

With the exception of the deferred remuneration entitlement described below the LLP has no fixed obligation to allocate profits to members, all profits are allocated on a discretionary basis. Accordingly, members' allocations are shown as a deduction from members' interests. Any cash drawings withdrawn from the LLP by members in advance of a discretionary profit allocation are recognised as a loan due from members. Where profit allocations exceed drawings made by members, this is represented as a loan amount due to members of the LLP.

The LLP has implemented a deferred incentive scheme whereby a portion of profits allocated to a partner are deferred and are only payable when the deferred element vests. The unvested portion of the award is held in retained earnings and is recognised as Members' remuneration charged as an expense over the vesting period. The deferred profits vest in three equal tranches on the anniversary of the grant date.

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2017

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

The members consider the following to be significant accounting judgements made during the year:

- Classification of members' remuneration as discretionary or fixed remuneration
- Valuation of investments
- Effectiveness of cash flow hedges
- The portion of the deferred profit allocations that are expected to vest.

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

The members are not aware of any significant sources of estimation uncertainty in the preparation of the financial statements.

4. Turnover

Turnover is derived from activities undertaken in the United Kingdom. An analysis of turnover by class of business is as follows:

	2017	2016
	£	£
Management fees	26,023,424	18,950,317
Other income	18,220	-
	<u>26,041,644</u>	<u>18,950,317</u>

An analysis of turnover by country where the end client is situated is documented below:

	2017	2016
	£	£
United Kingdom	10,239,181	7,023,702
Rest of Europe	2,983,583	1,422,169
Rest of the world	12,818,880	10,504,446
	<u>26,041,644</u>	<u>18,950,317</u>

5. Operating profit

The operating profit of the LLP is stated after charging:

	2017	2016
	£	£
Amounts payable to the LLP's auditor for:		
- The audit of these financial statements	7,000	7,000
Foreign exchange differences	<u>20,161</u>	<u>62,235</u>

Fulcrum Asset Management LLP

Notes to the financial statements (continued)
For the year ended 31 December 2017

5. Operating profit (continued)

The auditor did not receive any remuneration from the LLP in respect of any non-audit services provided during the year (2016: £nil).

6. Employees

The LLP has no employees other than the members. All activities of the LLP are performed by employees of FAM Services Limited, the LLP's parent, and costs are recharged by FAM Services Limited to the LLP with no mark-up.

7. Interest receivable and similar income

	2017	2016
	£	£
Bank interest receivable	<u>2,832</u>	<u>1,060</u>

8. Taxation

	2017	2016
	£	£
Income tax		
Income tax on deferred profits	76,050	58,050
Income tax adjustments in respect of previous periods	-	17,100
	<u>76,050</u>	<u>75,150</u>

The tax charge represents the taxes assessed on, and payable by, the LLP on the deferred profits awarded to the members in accordance with the LLP's deferred incentive scheme described in note 2.7. The tax is calculated at 45% (2016: 45%) of the amount deferred.

9. Members' profit allocations

	2017	2016
	£	£
Profit attributable to the member with the largest entitlement	<u>818,200</u>	<u>1,142,157</u>
Average number of members during the year	<u>9</u>	<u>9</u>

Fulcrum Asset Management LLP

Notes to the financial statements (continued)
For the year ended 31 December 2017

10. Fixed asset investments

	<i>Investments in subsidiaries</i>	<i>Unlisted investments</i>	<i>Total</i>
	£	£	£
Cost/valuation:			
At 1 January 2017	622	64,047	64,669
Additions	21,388	343,113	364,501
Fair value movements	-	25,122	25,122
Disposals	-	(7,248)	(7,248)
At 31 December 2017	<u>22,010</u>	<u>425,034</u>	<u>447,044</u>

The unlisted investments comprise holdings in the Funds managed by the LLP. These are held at fair value through profit or loss with the fair value being based on the net asset values provided by the fund administrators.

Subsidiary undertakings

The following were subsidiary undertakings of the LLP at 31 December 2017:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Fulcrum Asset Management LP	USA	Capital	100%	Provision of marketing services
Fulcrum Asset Management GP LLC	USA	Ordinary	100%	Holding investments in group entities
Fulcrum Asset Management GmbH	Germany	Ordinary	100%	Provision of marketing services

The aggregate of the share capital and reserves of each of the subsidiaries as at 31 December 2017 and of the profit or loss of each of the subsidiaries for the year ended on that date were as follows:

	<i>Aggregate of share capital and reserves</i>	<i>Profit for the year</i>
	£	£
Fulcrum Asset Management LP	160,962	51,317
Fulcrum Asset Management GP LLC	1	-
Fulcrum Asset Management GmbH	<u>66,193</u>	<u>36,559</u>
	<u>227,156</u>	<u>87,876</u>

Fulcrum Asset Management LLP

Notes to the financial statements (continued)
For the year ended 31 December 2017

11. Debtors

	2017	2016
	£	£
Trade debtors	1,859	-
Prepayments and accrued income	1,969,571	1,903,954
Amounts held with brokers	499,120	-
Amounts due from members	5,316,881	1,924,926
Amounts owed by group undertakings	195,395	-
Derivative financial instruments	254,234	-
	<u>8,237,060</u>	<u>3,828,880</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed repayment dates.

The amounts held with brokers balance of £499,120 represents collateral provided by the LLP to third party brokers that act as counterparty to the derivative contracts held by the LLP.

12. Cash and cash equivalents

	2017	2016
	£	£
Cash at bank and in hand	<u>7,477,768</u>	<u>6,841,872</u>

13. Creditors: Amounts falling due within one year

	2017	2016
	£	£
Trade creditors	-	5,514
Amounts owed to group undertakings	70,869	1,314,542
Income tax payable	125,550	49,500
Other taxation and social security	107,815	-
Other creditors	-	880
Accruals and deferred income	838,552	1,036,353
Derivative financial instruments	14 <u>-</u>	<u>525,941</u>
	<u>1,142,786</u>	<u>2,932,730</u>

Amounts owed to group undertakings are unsecured, interest free and have no fixed repayment date.

Fulcrum Asset Management LLP

Notes to the financial statements (continued) For the year ended 31 December 2017

14. Derivative financial instruments

The financial instruments included in note 11 represent the fair value of the forward currency contracts in place at the year end. Forward currency contracts are used to mitigate the risk of fluctuations in the expected value of the future revenue of the LLP that is denominated in foreign currencies. The LLP's revenue is received primarily in US Dollars ("\$\$") and Australian Dollars ("AU\$") and thus the LLP focused on hedging the risks arising from the potential future volatility in the revenue entitlements that are receivable.

At year end the principal amount of the forward contracts held by the LLP amounted to \$5,400,000 (2016: \$5,300,000) and AU\$9,100,000 (2016: AU\$9,100,000). The total contractual redemption value of forward contracts amounted to £9,443,063 (2016: £9,134,922).

The forward currency contracts are a hedge against the variability of the cash and cash equivalents and accrued income held in foreign currency by the LLP at 31 December 2017 of \$2,360,595 (2016: \$2,639,604) and AU\$899,989 (2016: AU\$2,415,795) and future forecast net revenue of \$3,039,405 (2016: \$2,660,396) and AU\$8,200,011 (2016: AU\$6,684,205) which is expected to be earned by the LLP over the period to the end of October 2018 (2016: October 2017).

During the year, an amount of £417,811 (2016: £178,261) was transferred to the statement of comprehensive income from the cash flow hedge reserve in respect of previously forecast revenue entitlements that were received in cash during the year. This balance was recognised in turnover and offset against the corresponding variance in the revenue received as a result of movement in exchange rates during the period. An unrealised gain of £254,234 (2016: loss of £417,811) on the forward currency contracts expected to mature over the next year has been recognised in other comprehensive income while an amount of £nil (2016: £98,166), representing the ineffective element of the hedge relationship, has been charged directly to the statement of comprehensive income. These unrealised gain and losses will be offset in the future by the movement in the cash flows expected from the hedged items as a result of changes in foreign currency exchange rates.

15. Loans and other debts due to members

	2017	2016
	£	£
Amounts due to FAM Services Limited	2,249,958	1,230,175

The amounts shown above rank *pari-passu* with the LLP's other creditors (as shown in note 13) in respect of priority for repayment on winding up of the LLP.

16. Related party transactions

FAM Services Limited, the LLP's immediate parent:

During the year, the LLP was charged administration and support service fees of £13,523,354 (2016: £12,425,301) by FAM Services Limited. The LLP also allocated an amount of £200,000 (2016: £1,142,157) to FAM Services Limited in its capacity as a member of the LLP. At year end the balance due to FAM Services Limited from the LLP of £2,249,958 (2016: £1,230,175) was made up of £202,157 (2016: £202,157) due for undrawn profits and £2,047,801 (2016: £1,028,018) due in respect of the administrative services provided by this entity to the LLP.

Fulcrum Asset Management LLP

Notes to the financial statements (continued) **For the year ended 31 December 2017**

16. Related party transactions (continued)

Fulcrum Asset Management Limited, the LLP's ultimate parent:

During the year, the LLP charged Fulcrum Asset Management Limited a total of £4,557,450 (2016: £10,980,212) for management and performance fees. These amounts were settled during the year. At year end the balance due to Fulcrum Asset Management Limited was £63,979 (2016: £63,686) and is attributable to overpayments made by Fulcrum Asset Management Limited.

Fulcrum Asset Management LP, a subsidiary of the LLP:

During the year, the LLP was charged a fee of £1,060,907 (2016: £748,967) by Fulcrum Asset Management LP for administration and marketing support services. An amount due to Fulcrum Asset Management LP of £2,815 (2016: £1,250,856) was included in creditors at 31 December 2017.

Fulcrum Asset Management GmbH, a subsidiary of the LLP:

During the year, the LLP was charged a fee of £178,521 (2016: £0) by Fulcrum Asset Management GmbH for administration and marketing support services. An amount due to Fulcrum Asset Management GmbH of £4,075 (2016: £0) was included in creditors at 31 December 2017.

Key management personnel:

The members are considered to have sole responsibility for the planning, directing and controlling of the activities of the LLP. No other employees are considered to meet this definition of key management personnel. As a result, the aggregate of transactions with key management personnel are disclosed in the Reconciliation of members' interests set out on page 11 and 12.

During the year, the LLP made an allocation of £88,500 (2016: £38,000) to key management personnel which has been deferred and vests over a 3 year period. A total cost of £49,449 (2016: £12,768) was recognised during the year in respect of this award and awards made in the previous years and is disclosed as members' remuneration charged as an expense.

17. Controlling party

The immediate parent undertaking of the LLP is FAM Services Limited which has included the LLP in its consolidated financial statements, which are publicly available. The ultimate parent company and controlling party of the LLP is Fulcrum Asset Management Limited, a company registered in the Cayman Islands.