

FPP Asset Management LLP

***Annual Report and Audited Financial
Statements***

Year ended 30 June 2012

Registration Number
OC339241 (England and Wales)

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COMPANIES HOUSE

<i>Designated members</i>	F Pictet Fabien Pictet & Partners Limited
<i>Registered office</i>	34 Brook Street London W1K 5DN
<i>Registered number</i>	OC339241 (England and Wales)
<i>Independent auditor</i>	BDO LLP Chartered accountants and Registered Auditors 55 Baker Street London W1U 7EU

Contents

Reports

Members' report	1
Independent auditor's report	4

Financial statements

Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Principal accounting policies	9
Notes to the financial statements	11

Unaudited information

Pillar 3 disclosures	17
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Members' report 30 June 2012

The members present their annual report together with the audited financial statements of FPP Asset Management LLP for the year ended 30 June 2012

Principal activities

The principal objective of FPP Asset Management LLP (the "LLP") continued to be the provision of investment management services to Funds which are its clients. The LLP is authorised and regulated by the Financial Services Authority ("FSA")

Business review

The clients' assets under management as of 30 June 2012 are \$175 million, down from \$233 million as at 30 June 2011

The members are satisfied with the results for the year and are confident of continuing growth in the future

The results for the year are shown in the profit and loss account on page 6. The profit for the year remained unallocated at the year end

Competitive and regulatory environment

The level of regulation encountered by the investment manager, LLP, is increasing. The trend towards greater regulation provides a further pointer towards the requirement for strong infrastructure to support future developments

Risk management

Details of the Firm's unaudited Pillar 3 disclosures, required under the Chapter 11 of the Financial Services Authority's Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIRPU"), may be found on pages 17 to 19

Future developments

The Firm continues to focus on marketing the Fund's to potential investors on a worldwide basis

Designated members

The designated members of the LLP during the year ended 30 June 2012 and until the date of their report were as follows

F Pictet
Fabien Pictet & Partners Limited

Members' report (continued) 30 June 2012

Policy with respect to members' drawings, subscriptions, and repayment of members' capital

Each member's subscription to the capital of the firm is determined by their share of the profit and is repayable following retirement from the firm

Details of changes in members' capital in the year ended 30 June 2012 are set out in the financial statements

Members are remunerated from the profits of the firm and are required to make their own provision for pensions and other benefits. Profits are allocated and divided between members after finalisation of the financial statements. Members draw a proportion of their profit shares monthly during the year in which it is made, with the balance of profits being distributed after the year, subject to the cash requirements of the business

Members' responsibilities statement

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 made under the Limited Liability Partnerships Act 2000 require members to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the LLP and of the profit or loss of the firm for that period. In preparing the financial statements the members are required to

- ◆ select suitable accounting policies and then apply them consistently,
- ◆ make judgements and 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
- ◆ prepare the financial statements on a going concern basis unless it is inappropriate to presume that the firm will continue in business

The members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and that enable them to ensure that the financial statements comply with the Companies Act 2006 as applicable to limited liability partnerships. 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

Members' report (continued) 30 June 2012

Statement of disclosure of information to auditors

The members have taken all reasonable steps that they ought to have taken as members to make themselves aware of any relevant audit information and to establish that the auditors are aware of this information. So far as the members are aware, there is no relevant audit information of which the LLP's auditors are unaware.

Auditors

Each member at the date of approval of this report confirms that

- ◆ so far as the member is aware, there is no relevant audit information of which the LLP's auditors are unaware, and
- ◆ the member has taken all the steps that he/she ought to have taken as a member in order to make himself/herself aware of any relevant audit information and to establish that the LLP's auditors are aware of the information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

BDO LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors at the Annual General Meeting.



Fabien Pictet
Designated Member

17 SEPTEMBER 2012

Independent auditor's report 30 June 2012

Independent auditor's report to the members of FPP Asset Management LLP

We have audited the financial statements of FPP Asset Management LLP for the year ended 30 June 2012, which comprise the profit and loss account, the balance sheet, the cash flow statement, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the LLP's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors

As explained more fully in the Members' Responsibilities Statement (set out on Page 3), the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- ◆ give a true and fair view of the state of the limited liability partnership's affairs as at 30 June 2012 and of its profit for the year then ended,
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Independent auditor's report (continued) 30 June 2012

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 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

BDO LLP

Andrew Richardson
Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor
55 Baker Street
London
W1U 7EU

Approved on 17 SEPTEMBER 2012

***BDO LLP is a Limited Liability Partnership registered in England and Wales
(with registered number OC305127)***

Profit and loss account for the year ended 30 June 2012

	Notes	2012 £	2011 £
Turnover	1	1,092,492	1,712,245
Selling and distribution costs		—	10,810
Administration expenses		(808,452)	(1 621,553)
Operating profit	2	284,040	101,502
Interest receivable		329	209
Interest payable	7	(239)	(1)
Profit for the financial year before members remuneration and profit shares		284,130	101,710
Members' remuneration charged as an expense	5	(80,500)	—
Profit on ordinary activities for the financial year available for discretionary division among members		203,630	101,710

All of the LLP's activities derived from continuing operations during the above financial year


The LLP has no recognised gains or losses other than those shown above and therefore no separate statement of total recognised gain and losses has been prepared

The principal accounting policies and notes on pages 9 to 16 form an integral part of the financial statements

Balance sheet 30 June 2012

	Notes	2012 £	2012 £	2011 £	2011 £
Fixed assets					
Tangible fixed assets	8		77,062		99,087
Fixed asset investments	9		57,037		57,037
			<u>134,099</u>		<u>156,124</u>
Current assets					
Debtors	10	1,300,799		977,833	
Cash at bank and in hand		26,236		283,101	
		<u>1,327,035</u>		<u>1,260,934</u>	
Creditors amounts falling due within one year	11	(307,504)		(197,083)	
Net current assets			<u>1,019,531</u>		<u>1,063,851</u>
Net assets			<u>1,153,630</u>		<u>1,219,975</u>
Represented by					
Equity					
Members other interests – Other reserves classified as equity under FRS 25		950,000		950,000	
Other reserves	15	203,630		269,975	
			<u>1,153,630</u>		<u>1,219,975</u>
Total members' interests					
Amounts due from members (included in debtors)	10	(1,059,844)		(636,955)	
Members' other interests		1,153,630		1,219,975	
		<u>93,786</u>		<u>583,020</u>	

Signed on behalf of the members by



Fabien Pictet
Member

Approved on 17 SEPTEMBER 2012

FPP Asset Management LLP

Registration number: OC339241 (England and Wales)

The principal accounting policies and notes on pages 9 to 16 form an integral part of the financial statements

Cash flow statement 30 June 2012

	Notes	2012 £	2011 £
Net cash inflow/(outflow) from operating activities	12	519,649	(140,681)
Returns on investments and servicing of finance	13	90	208
Capital expenditure and financial investment	13	(3,240)	(8,783)
Transactions with members	13	(773,364)	219,728
(Decrease)/increase in cash in the year		(256,865)	70,472

Reconciliation of net cash flow to movement in net funds

		2012 £	2011 £
(Decrease)/increase cash in the year		(256,865)	70,472
Change in net funds resulting from cash flows		(256,865)	70,472
Movement in net funds in the year		(256,865)	70,472
Net funds at 30 June 2011		283,101	212,629
Net funds at 30 June 2012	14	26,236	283,101

The principal accounting policies and notes on pages 9 to 16 form an integral part of the financial statements

Principal accounting policies 30 June 2012

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships", issued in March 2010

The principal accounting policies are set out below

Turnover

Turnover comprises income derived from the LLP's principal activity of providing investment management services in accordance with investment management agreements which are stated net of Value Added Tax (VAT)

Management fee revenue is recognised consistently throughout the year and is based on the value of funds under management. Performance fee revenue is recognised at the fund year end with the exception of certain funds which are recognised quarterly

Expenses

Expenses are recognised on an accrual basis. Other fund management charges represent commissions payable to a third party and relate to investment management services provided by the company

Tangible fixed assets

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

- | | |
|------------------------------------|----------------------|
| ◆ Plant & machinery | 33 33% straight line |
| ◆ Furniture, fixtures and fittings | 10% straight line |
| ◆ Office equipment | 20% straight line |

Investments

Investments held as fixed assets are shown at cost less provision for impairment

Taxation

The taxation payable on the partnership profits is the personal liability of the members and consequently neither taxation nor related deferred taxation are accounted for in the financial statements. Amounts retained for tax are treated in the same way as other profits of the partnership and are included in "Members' interests" or in "Loans and other debts due to members" depending on whether or not division of profit has occurred

Principal accounting policies (continued) 30 June 2012

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated using the rate of exchange prevailing at that date. Any gains and losses arising from a change in exchange rates subsequent to the date of transaction is included as an exchange gain or loss in the profit and loss account.

Notes to the financial statements 30 June 2012

1 Turnover

Turnover represents amounts derived from the provision of investment management services to external clients during the period and are stated net of VAT

A geographical analysis of turnover is as follows

	2012 £	2011 £
United Kingdom	—	—
Rest of world	1,092,492	1,712,245
	1,092,492	1,712,245

2 Operating profit

Operating profit is stated after charging

	2012 £	2011 £
Depreciation of tangible fixed assets	25,265	38,143
Auditors' remuneration	18,500	17,000

3 Auditors' remuneration

	2012 £	2011 £
Fees payable to the Partnership's auditor for the audit of the Partnership's annual accounts	18,500	17,000

4 Staff costs

The entity has no employees other than its members, who did not receive any remuneration (2011 - £nil)

5 Members' remuneration charged as an expense

Members remuneration charged as an expense has been incurred in line with agreed allocations to members

	2012 £	2011 £
Profit and remuneration attributable to highest paid member	21,000	—

Notes to the financial statements 30 June 2012

6 Members' share of profit and average number of members

Profits are divided among the members after the end period in accordance with established profit share arrangements

	2012 number	2011 number
The average number of members	7	10

7 Interest payable

	2012 £	2011 £
On bank loans and overdrafts	5	1
Other interest payable	234	—
	239	1

8 Tangible fixed assets

	Plant & machinery £	Furniture, fittings & equipment £	Total £
Cost			
At 1 July 2011	41,106	130,430	171,536
Additions	1,946	1,294	3,240
At 30 June 2012	43,052	131,724	174,776
Depreciation			
At 1 July 2011	34,029	38,420	72,449
Charge for the year	4,278	20,987	25,265
At 30 June 2012	38,307	59,407	97,714
Net book value			
At 30 June 2012	4,745	72,317	77,062
At 30 June 2011	7,077	92,010	99,087

9 Fixed asset investment

	Listed investments £
Cost or valuation	
At 1 July 2011 and at 30 June 2012	57,037

Listed investments

The market value of the listed investments at 30 June 2012 was £57,037 (2011 - £57,037)

Notes to the financial statements 30 June 2012

10 Debtors

	2012 £	2011 £
Trade debtors	106,863	221,668
Amounts due from members	1,059,844	636,955
Other debtors	15,593	32,627
Prepayments and accrued income	118,499	86,583
	1,300,799	977,833

11 Creditors amounts falling due within one year

	2012 £	2011 £
Trade creditors	116,298	161,375
Other creditors	164,789	7,642
Accruals and deferred income	26,417	28,066
	307,504	197,083

The creditors of the LLP are protected to the value of the net assets in insolvency and ranked before members

12 Net cash flow from operating activities

	2012 £	2011 £
Operating profit	284,040	101,502
Depreciation of tangible fixed assets	25,265	38,143
Decrease/(increase) in debtors	99,923	(265,402)
Increase/(decrease) in creditors	110,421	(14,924)
Net cash inflow/(outflow) from operating activities	519,649	(140,681)

13 Analysis of cash flows for headings netted in cash flow statement

	2012 £	2011 £
Returns on investment and servicing of finance		
Interest received	329	209
Interest paid	(239)	(1)
Net cash inflow from returns on investments and servicing of finance	90	208
	2012 £	2011 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(3,240)	(8,783)
Net cash outflow from capital expenditure	(3,240)	(8,783)

Notes to the financial statements 30 June 2012

13 Analysis of cash flows for headings netted in cash flow statement (continued)

	2012 £	2011 £
Transactions with members		
Payments to members	(773,364)	—
Contributions by members	—	219,728
Net cash (outflow)/inflow from transactions with members	(773,364)	219,728

14 Analysis of changes in net debt

	At 1 July 2011 £	Cash flow £	Other non-cash changes £	At 30 June 2012 £
Cash in bank and in hand	283,101	(256,865)	—	26,236

15 Reconciliation of members' interests

	Members capital (classified as equity) £	Other reserves £	Total members' other interests £	Loans and other debts due to members less any amounts due from members in debtors £	2012 Total £	2011 Total £
Amounts due to members				—		
Amounts due from members				(636,955)		
Balance at 1 July 2011	950,000	269,975	1,219,975	(636,955)	583,020	402,461
Profit for the financial year available for discretionary division among members	—	284,130	284,130	—	284,012	101,710
Members' interests after profit for the year	950,000	554,105	1,504,105	(636,955)	867,150	504,171
Capital introduced by members	—	—	—	—	—	219,728
Other division of profits	—	(350,475)	(350,475)	350,475	—	—
Other movements	—	—	—	(773,364)	(773,364)	(140,879)
Amounts due to members				—		
Amounts due from members				(1,059,844)		
Balance at 30 June 2012	950,000	203,630	1,153,630	(1,059,844)	93,786	583,020

Notes to the financial statements 30 June 2012

15 Reconciliation of members' interests (continued)

	2012 £	2011 £
Amounts due from members	(1,059,844)	(636,955)
Net amount due from members	(1,059,844)	(636,955)

In an event of winding up, the creditors of the LLP will be paid before members' distribution or repayment of capital

16 Related party transactions

At 30 June 2012, the balance on the members' capital account was £102,373 (2011 - £583,020)

During the year, the LLP was advanced a loan of £12,762 (2011 - £nil) from FPP Fund Management Inc, a company incorporated in the Cayman Islands. At the balance sheet date, £12,762 (2011 - £nil) was outstanding and owed to FPP Fund Management Inc. This amount is included within other creditors. No interest is charged on this balance.

In addition, during the year, the LLP charged management fees of £5,892 (2011 - £8,672) and recharged administrative expenses of £5,327 (2011 - £2,076) to FPP Fund Management Inc. At the balance sheet date, £15,624 (2011 - £5,475) was outstanding and due to the LLP from FPP Fund Management Inc. This amount is included within trade debtors.

The net amount due from FPP Fund Management Inc, as at the balance sheet date, is £2,862 (2011 - £5,475).

During the year, the LLP was advanced loans totalling £80,049 (2011 - £nil) from Fabien Pictet & Partners Asia Pte Ltd, a company incorporated in Singapore.

During the year, interest of £234 (2011 - £nil) was charged on this loan. At the balance sheet date, £80,283 (2011 - £nil) was outstanding and due to Fabien Pictet & Partners Asia Pte Ltd.

During the year, the LLP was advanced loans totalling £66,578 (2011 - £nil) from FPP Capital Advisers Inc, a company incorporated in the Cayman Islands. At the balance sheet date, £66,578 (2011 - £nil) remained outstanding and due by the LLP to FPP Capital Advisers Inc. No interest is charged on this balance.

The above entities are considered related parties by virtue of common control.

17 Capital commitments

The LLP has no capital commitments at 30 June 2012.

Notes to the financial statements 30 June 2012

18 Contingent Liabilities

There were no contingent liabilities at 30 June 2012

19 Controlling and ultimate controlling party

During the period from 1 July 2010 to 30 June 2012, the LLP was controlled by F Pictet

It is also the opinion of the members, that the ultimate controlling party of FPP Asset Management LLP is also F Pictet

FSA Pillar 3 Disclosures

FPP Asset Management LLP ("FPP" or the "Firm") is authorised and regulated by the Financial Services Authority (the "FSA"). The Firm is a London-based discretionary investment manager to professional clients and regulated and unregulated collective investment schemes. FPP is categorised as a limited licence firm by the FSA for capital purposes and reports on a solo basis. FPP's Pillar III disclosure fulfils the Firm's obligation to disclose to market participants' key pieces of information on a firm's capital, risk exposures and risk assessment processes.

Risk Management

The Partners of FPP determine its business strategy and the level of risk acceptable to the Firm. In conjunction with the Chief Operating Officer ("COO"), they have designed and implemented a risk management framework that recognises the risks that the business faces and how those risks may be monitored and mitigated and assess on an ongoing basis. The Firm has in place controls and procedures necessary to manage those risks.

The Firm considers the following as key risks to its business:

Business Risk – This risk represents a fall in asset under management in the Funds or the loss of key staff which may reduce the fee income earned by the Firm and hinder its ability to finance its operations. Business risks are assessed and mitigated as part of the Internal Capital Adequacy Assessment Process ("ICAAP").

Market risk – The risk is the exposure to foreign exchange fluctuations due to investment management and performance fees being denominated in currencies other than sterling. The Firm operates currency bank accounts permitting it to receive/pay currency directly.

Operational risk – This risk covers a range of operational exposures from risk of trading errors to risk of breach of a Fund's investment objectives. Legal and reputational risks are also included within the category of operational risk. Operational risks and how they can be mitigated are assessed as part of the ICAAP.

Credit risk – This risk relates to the exposure to the Funds for non-payment of management and performance fees and counterparty exposure relating to the Firm's bank balances and any other debtors. This is monitored by the Firm's COO.

Remuneration

Given the nature and small size of the business remuneration for all employees is set by the partners of the Firm. The Firm formally reviews the performance of all employees and based thereon determines each employee's overall level of remuneration and the split of that between base salary, bonus, etc. Given that the Firm has only one business area, fund management, all remuneration disclosed in the audited financial statements is from this business area. The Firm has defined "Code Staff" to be the current partners of the Firm. The aggregate level of remuneration earned by the partners is disclosed in the audited financial statements.

The Firm has determined that as a "Tier 4" firm it has applied proportionality and, where relevant, has disapplied various provisions of the FSA Remuneration Code.

Regulatory Capital

The capital resources of the business comprise Tier 1 capital. As a limited licence firm the capital resources requirement is calculated as the total of Pillar 1 and Pillar 2 capital.

Pillar 1 capital is the greatest of

- 1 the base capital requirement of 50,000,
- 2 the sum of market and credit risk requirements, and
- 3 the Fixed Overhead Requirement ("FOR")

Pillar II capital is calculated by the Firm as representing any additional capital to be maintained against any risks not adequately covered under the requirement in Pillar 1 as part of its ICAAP.

It is the Firm's experience that its capital requirement normally consists of the FOR, although market and credit risks are reviewed monthly. The Firm applies a simplified standardised approach to credit risk, applying 8% to the Firm's risk weighted exposure amounts, consisting mainly of investment management and performance fees due but not received, and bank balances. Having performed the ICAAP, FPP has concluded that no additional capital is required in excess of its Pillar 1 capital requirement.

As at the date of this disclosure the Firm's regulatory capital position is

Capital Item	£'000
Pillar 1 capital	339
Total capital resources, net of deductions	1 220

FPP's ICAAP assesses the adequacy of its internal capital to support current and future

activities. This process includes an assessment of the specific risks to the Firm, the internal controls in place to mitigate those risks and an assessment of whether additional capital mitigates those risks. The Firm stress tests future impact by considering the Firm's forecast for 3 years, based on the estimated impact of identified material risks. FPP also considers a wind down scenario to assess the capital required to cease regulated activities.

The Firm's ICAAP is formally reviewed by the Partners annually, and will be revised should there be any material changes to the Firm's business or risk profile.