

Broad Reach Investment Management LLP

Report And Financial Statements

31 March 2018

Rees Pollock
Chartered Accountants



Broad Reach Investment Management LLP

INFORMATION

Designated Members	P Remiao B Wickens Broad Reach Investment Management Services Limited E Steel
LLP registered number	OC404233
Registered office	8 Hanover Street London W1S 1YQ
Independent auditors	Rees Pollock 35 New Bridge Street London EC4V 6BW

Broad Reach Investment Management LLP

MEMBERS' REPORT

For the Year Ended 31 March 2018

The members present their annual report together with the audited financial statements of Broad Reach Investment Management LLP (the "LLP") for the year ended 31 March 2018.

Principal activities

The principal activity of the LLP is the provision of investment management services. The LLP is authorised by the Financial Conduct Authority ("FCA").

Designated Members

P Remiao, B Wickens, Broad Reach Investment Management Services Limited and E Steel were designated members during the year.

Policy with respect to members' drawings and subscription and repayment of members' capital

Members' capital and drawings are determined by the regulatory capital requirements of the FCA and any trading needs of the LLP.

Pillar III disclosures

The LLP has documented the disclosures required by the FCA under BIPRU 11. These are attached to these financial statements.

Members' responsibilities statement

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

Company law, (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008), requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) the members 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 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 to enable them to ensure that the financial statements comply with the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of the 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.

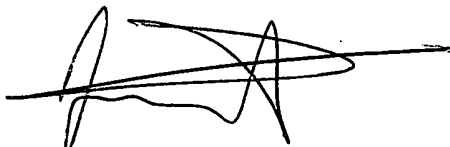
MEMBERS' REPORT (continued)
For the Year Ended 31 March 2018

Disclosure of information to auditors

Each of the persons who are members at the time when this Members' Report is approved has confirmed that:

- so far as that member is aware, there is no relevant audit information of which the LLP's auditors are unaware, and
- that 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 auditors are aware of that information.

This report was approved by the members on 26 June 2018 and signed on their behalf by:

A handwritten signature in black ink, appearing to be 'B. Wickens', with a long horizontal stroke extending to the right.

B. Wickens
Designated member

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BROAD REACH INVESTMENT MANAGEMENT LLP

Opinion

We have audited the financial statements of Broad Reach Investment Management LLP (the 'LLP') for the year ended 31 March 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Reconciliation of Members' Interests and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 March 2018 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 by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

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

Conclusions relating to going concern

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

- the 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.

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BROAD REACH INVESTMENT MANAGEMENT LLP (CONTINUED)

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 on page 1, 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.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

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 by Part 12 of The Limited Liability Partnerships (Accounts and Audit) (Applications 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 Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Rees (Senior Statutory Auditor)

for and on behalf of
Rees Pollock, Statutory auditor

26 June 2018

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 March 2018

	Note	Year to 31 March 2018 £	Period to 31 March 2017 £
Turnover	3	6,811,154	671,942
Administrative expenses		(3,523,709)	(2,094,497)
Operating profit/(loss)	4	3,287,445	(1,422,555)
Interest receivable and similar income		1,302	473
Profit/(loss) for the year before members' remuneration and profit shares		3,288,747	(1,422,082)
Profit/(loss) for the year before members' remuneration and profit shares		3,288,747	(1,422,082)
Members' remuneration charged as an expense		-	(194,132)
Profit/(loss) for the financial year available for discretionary division among members		3,288,747	(1,616,214)

There was no other comprehensive income for 2018 (2017: £NIL).

The notes on pages 9 to 15 form part of these financial statements.

BALANCE SHEET
As at 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	7	5,181	4,956
Tangible assets	8	111,011	186,869
		<u>116,192</u>	<u>191,825</u>
Current assets			
Debtors: amounts falling due within one year	9	621,664	482,242
Cash at bank and in hand		671,040	610,626
		<u>1,292,704</u>	<u>1,092,868</u>
Creditors: amounts falling due within one year	10	(134,489)	(179,451)
Net current assets		<u>1,158,215</u>	<u>913,417</u>
Net assets		<u><u>1,274,407</u></u>	<u><u>1,105,242</u></u>
Represented by:			
Loans and other debts due to members within one year			
Other amounts	11	169,165	-
Members' other interests			
Members' capital classified as equity		2,721,456	2,721,456
Other reserves classified as equity		(1,616,214)	(1,616,214)
		<u>1,105,242</u>	<u>1,105,242</u>
		<u><u>1,274,407</u></u>	<u><u>1,105,242</u></u>
Total members' interests			
Loans and other debts due to members	11	169,165	-
Members' other interests		1,105,242	1,105,242
		<u>1,274,407</u>	<u>1,105,242</u>
		<u><u>1,274,407</u></u>	<u><u>1,105,242</u></u>

The financial statements were approved and authorised for issue by the members and were signed on their behalf on 26 June 2018.


B Wickens
 Designated member

The notes on pages 9 to 15 form part of these financial statements.

RECONCILIATION OF MEMBERS' INTERESTS
For the Year Ended 31 March 2018

	EQUITY Members' other interests			DEBT Loans and other debts due to members less any amounts due from members in debtors		Total members' interests
	Members' capital (classified as equity) £	Other reserves £	Total £	Other amounts £	Total £	Total £
At incorporation	-	-	-	-	-	-
Members' remuneration charged as an expense	-	-	-	194,132	194,132	194,132
Loss for the year available for discretionary division among members	-	(1,616,214)	(1,616,214)	-	-	(1,616,214)
Members' interests after profit for the year	-	(1,616,214)	(1,616,214)	194,132	194,132	(1,422,082)
Amounts introduced by members	2,721,456	-	2,721,456	-	-	2,721,456
Drawings	-	-	-	(194,132)	(194,132)	(194,132)
Balance at 31 March 2017	2,721,456	(1,616,214)	1,105,242	-	-	1,105,242
Profit for the year available for discretionary division among members	-	3,288,747	3,288,747	-	-	3,288,747
Members' interests after profit for the year	2,721,456	1,672,533	4,393,989	-	-	4,393,989
Other division of profits	-	(3,288,747)	(3,288,747)	3,288,747	3,288,747	-
Drawings	-	-	-	(3,119,582)	(3,119,582)	(3,119,582)
Amounts due to members				169,165	169,165	
Balance at 31 March 2018	2,721,456	(1,616,214)	1,105,242	169,165	169,165	1,274,407

The notes on pages 9 to 15 form part of these financial statements.

The ability of the members of the LLP to reduce the amount of members' other interests is restricted by the regulatory capital requirements of the FCA.

STATEMENT OF CASH FLOWS
For the Year Ended 31 March 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit/(loss) for the financial year	3,288,747	(1,422,082)
Adjustments for:		
Amortisation of intangible assets	562	135
Depreciation of tangible assets	80,760	50,506
Interest received	(1,302)	(473)
(Increase) in debtors	(139,422)	(482,242)
(Decrease)/increase in creditors	(44,962)	179,451
Amounts paid to members	(3,119,582)	(194,132)
Net cash generated from operating activities	64,801	(1,868,837)
Cash flows from investing activities		
Purchase of intangible fixed assets	(787)	(5,091)
Purchase of tangible fixed assets	(4,902)	(237,375)
Interest received	1,302	473
Net cash from investing activities	(4,387)	(241,993)
Cash flows from financing activities		
Members' capital contributed	-	2,721,456
Net cash used in financing activities	-	2,721,456
Net increase in cash and cash equivalents	60,414	610,626
Cash and cash equivalents at beginning of year	610,626	-
Cash and cash equivalents at the end of year	671,040	610,626
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	671,040	610,626

The notes on pages 9 to 15 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2018

1. General information

Broad Reach Investment Management LLP is a limited liability partnership incorporated in the UK and registered in England & Wales. Its registered address is 8 Hanover Street, London W1S 1YQ.

The LLP's principal activity is the provision of investment management services.

The previous period covered incorporation to 31 March 2017 and as such is not directly comparable to the current year to 31 March 2018.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared 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 and the Companies Act 2006 and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships".

Management do not consider there to be any significant accounting estimates or any material judgemental areas in applying the accounting policies.

2.2 Going concern

The members have prepared forecasts which, taking account of reasonably possible changes in trading performance, indicate that the LLP should be cash generative and able to meet its liabilities as they fall due and maintain a regulatory capital surplus. The members therefore have a reasonable expectation that the LLP has adequate resources to continue in operation for the foreseeable future. Thus they adopt the going concern basis of accounting in preparing the annual financial statements.

2.3 Revenue

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

2.4 Intangible assets

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

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Trademarks	-	10	years
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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2018

2. Accounting policies (continued)

2.5 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Leasehold improvements	- 3 years
Office equipment	- 3 years
Computer equipment	- 3 years

2.6 Financial instruments

The LLP does not trade in financial instruments and all such instruments arise directly from operations.

All trade and other debtors are initially recognised at transaction value, as none contain in substance a financing transaction. Thereafter trade and other debtors are reviewed for impairment where there is objective evidence based on observable data that the balance may be impaired. The LLP does not hold collateral against its trade and other receivables so its exposure to credit risk is the net balance of trade and other debtors after allowance for impairment.

The LLP's cash holdings comprise on demand balances. All cash is held with reputable UK regulated banks.

Trade and other creditors and accruals are initially recognised at transaction value as none represent a financing transaction. They are only derecognised when they are extinguished.

As the LLP only has short term receivables and payables, its net current asset position is a reasonable measure of its liquidity at any given time.

2.7 Foreign currency translation

Functional and presentation currency

The LLP's functional and presentational currency is GBP.

Transactions and balances

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

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

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 profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2018

2. Accounting policies (continued)

2.8 Operating leases: the LLP as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.9 Tax provisions

Any tax payable on the results of the LLP is the personal liability of the members.

2.10 Members' remuneration and profit allocations

During the prior year, some members' were paid under contracts of employment and these amounts are shown as members' remuneration charged as an expense in the profit and loss account. A member's discretionary share in the profit or the loss for the year is accounted for as an allocation of profits. Unallocated profits and losses are included within "other reserves."

2.11 Pensions

Defined contribution pension plan

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

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

3. Turnover

The whole of the turnover is attributable to the principal business activity.

All turnover arose within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2018

4. Operating profit/(loss)

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

	Year to 31 March 2018 £	Period to 31 March 2017 £
Depreciation of tangible fixed assets	80,760	50,506
Amortisation of intangible assets	562	135
Auditors' remuneration - audit	15,000	11,000
Auditors remuneration - non-audit	18,347	13,325
Exchange differences	(2,417)	19,668
Operating lease rentals	188,922	183,691

5. Employees

Staff costs were as follows:

	Year to 31 March 2018 £	Period to 31 March 2017 £
Wages and salaries	1,905,970	932,431
Social security costs	263,301	144,257
Cost of defined contribution scheme	54,080	-
	2,223,351	1,076,688

In addition to the above, some members were paid under employment contracts in the prior period as per note 6.

The average monthly number of persons (including members with contracts of employment) employed during the year was as follows:

	Year to 31 March 2018 No.	Period to 31 March 2017 No.
Administration	11	10

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2018

6. Information in relation to members

	2018 Number	2017 Number
The average number of members during the year was	4	4
	<u>2018</u> £	<u>2017</u> £
Paid under employment contract	-	194,132
The amount of profit attributable to the member with the largest entitlement was	<u>1,554,688</u>	<u>-</u>

7. Intangible assets

	Trademarks £
Cost	
At 1 April 2017	5,091
Additions	787
At 31 March 2018	<u>5,878</u>
Amortisation	
At 1 April 2017	135
Charge for the year	562
At 31 March 2018	<u>697</u>
Net book value	
At 31 March 2018	<u>5,181</u>
At 31 March 2017	<u>4,956</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2018

8. Tangible fixed assets

	Leasehold improvements £	Office equipment £	Computer equipment £	Total £
Cost				
At 1 April 2017	109,620	69,416	58,339	237,375
Additions	-	-	4,902	4,902
At 31 March 2018	109,620	69,416	63,241	242,277
Depreciation				
At 1 April 2017	22,871	14,982	12,653	50,506
Charge for the year	36,540	23,139	21,081	80,760
At 31 March 2018	59,411	38,121	33,734	131,266
Net book value				
At 31 March 2018	50,209	31,295	29,507	111,011
At 31 March 2017	86,749	54,434	45,686	186,869

9. Debtors

	2018 £	2017 £
Other debtors	172,390	156,905
Prepayments and accrued income	449,274	325,337
	621,664	482,242

Other debtors includes a rent deposit of £119,462 (2017: £119,462) that is due in greater than one year.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2018

10. Creditors: Amounts falling due within one year

	2018	2017
	£	£
Trade creditors	52,410	75,107
Other taxation and social security	42,520	52,368
Accruals and deferred income	39,559	51,976
	134,489	179,451

11. Loans and other debts due to members

	2018	2017
	£	£
Other amounts due to members in respect of allocated profit	169,165	-

Loans and other debts due to members rank equally with debts due to ordinary creditors in the event of a winding up.

12. Commitments under operating leases

At 31 March 2018 the LLP had future minimum lease payments under non-cancellable operating leases as follows:

	2018	2017
	£	£
Not later than 1 year	199,104	199,104
Later than 1 year and not later than 5 years	58,913	258,017
	258,017	457,121

13. Related party transactions

The entire turnover for the year was derived from an entity under common control. At the balance sheet date £339,433 (2017: £232,656) was due from this entity.

14. Controlling party

The ultimate controlling party is B Wickens.

Pillar 3 Disclosures Year Ended 31 March 2018

Introduction

Broad Reach Investment Management LLP ("Broad Reach") is required by the FCA to disclose information relating to the capital it holds and each material category of risk it faces in order to assist users of its accounts and to encourage market discipline.

The Capital Requirements Directive (CRD) created a revised regulatory capital framework across Europe covering how much capital financial services firms must retain. In the United Kingdom, rules and guidance are provided in the General Prudential Sourcebook (GENPRU) for Banks, Building Societies and Investments Firms (BIPRU).

The FCA framework consists of three "Pillars":

- Pillar 1 sets out the minimum capital requirements that companies need to retain to meet their credit, market and operational risk;
- Pillar 2 requires companies to assess whether their Pillar 1 capital is adequate to meet their risks and is subject to annual review by the FCA;
- Pillar 3 requires companies to develop a set of disclosures which will allow market participants to assess key information about its underlying risks, risk management controls and capital position. These disclosures are seen as complimentary to Pillar 1 and Pillar 2.

Rule 11 of BIPRU sets out the provisions for Pillar 3 disclosure. The rules provide that companies may omit one or more of the required disclosures if such omission is regarded as immaterial. Information is considered material if its omission or misstatement could change or influence the decision of a user relying on the information. In addition, companies may also omit one or more of the required disclosures where such information is regarded as proprietary or confidential. Broad Reach believes that the disclosure of this document meets its obligation with respect to Pillar 3.

The information contained in this document has not been audited by the auditors for Broad Reach and does not constitute any form of financial statement and must not be relied upon in making any judgment about Broad Reach.

Firm Overview

Broad Reach is incorporated in the UK as a limited liability partnership and is authorised and regulated by the FCA as a full-scope Alternative Investment Fund Manager ("AIFM") under the Alternative Investment Fund Managers Directive ("AIFMD"). Broad Reach also has permission to carry on certain investment services under Article 6(4) AIFMD. As such, Broad Reach is a Collective Portfolio Management Investment Firm ("CPMI Firm") for UK regulatory purposes. As a CPMI firm, Broad Reach is subject to the BIPRU rules, as well as the AIFMD rules in IPRU-INV Chapter II. Broad Reach is a CPMI firm without retail clients, and is not authorised to hold client money or take proprietary trading positions.

The Governing Body of Broad Reach has the daily management and oversight responsibility and is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. In addition, the Governing Body decides the risk appetite or tolerance for risk and ensures that Broad Reach has implemented an effective, ongoing process to identify risks, to measure its potential impact and then to ensure that such risks are actively managed. Senior Management is accountable to the Governing Body for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of Broad Reach.

Capital Resources and Requirements

Capital Resources

Pillar 1

As at 31 March 2018, Broad Reach held regulatory capital resources equal to the sum of £1,100,000, comprised solely of core Tier 1 capital.

The Broad Reach capital requirements are the greater of:

- Its base capital requirement of €125,000; and
- The sum of its market risk and credit risk requirements; and
- Its fixed overhead requirement (FOR).

As a CPMI firm, Broad Reach has an ongoing capital resource requirement which comprises the greater of:

- The funds under management requirement of €125,000 plus 0.02% of the amount by which funds under management exceed €250,000; and
- The own funds based on FOR; and
- The sum of its market risk and credit risk requirements

Plus: whichever is the applicable of:

- The professional indemnity insurance ("PII") capital requirement, or
- The professional negligence capital requirement ("additional own funds requirement")

Broad Reach has determined that the FOR is the higher of these values and this is therefore used for the purposes of the Pillar 1 calculation. As at 31 March 2018, the FOR was £548,000.

Satisfaction of Capital Requirements

Pillar 2

Broad Reach has adopted the "Structured" approach to the calculation of its Pillar 2 Minimum Capital Requirement as outlined in the Committee of European Banking Supervisors Paper, 27 March 2006

which takes the higher of Pillar 1 and 2 as the Internal Capital Adequacy Assessment Process (ICAAP) capital requirement. It has assessed Business Risks by modeling the effect on its capital planning forecasts and assessed Operational Risk by considering if Pillar 2 capital is required taking into account the adequacy of its mitigation.

Since the Broad Reach ICAAP (or Pillar 2) process has not identified capital to be held over and above the Pillar 1 requirement, the capital resources detailed above are considered adequate to continue to finance Broad Reach over the next year. No additional capital injections are considered necessary and Broad Reach expects to continue to be profitable.

Risk Management Objectives and Policies

Broad Reach has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The risk management process is overseen by the Governing Body of Broad Reach and its aim is to minimize the risks to its clients and to ensure it remains in full compliance with the regulatory and legal requirements.

As risks are identified within the business, appropriate controls are put in place to mitigate these and compliance with them is monitored on a regular basis. The frequency of monitoring in respect of each risk area is determined by the significance of the risk. Broad Reach's risk management framework incorporates an analysis of the impact of each material risk on the business, the probability of each risk occurring and the procedures in place to mitigate such risks. Risks identified through the operation of the risk management framework are assessed as part of the ICAAP process each year.

Credit Risk

The main credit risk to which Broad Reach is exposed is in respect to the failure of its debtors to meet their contractual obligations. The majority of receivables are related to investment management activities. Broad Reach believes its credit risk exposure is limited since its revenue is ultimately related to management fees received from funds. These management fees are drawn throughout the year from the funds managed. Other credit exposures include bank deposits and office rental deposits.

Broad Reach undertakes periodic impairment reviews of its receivables. All amounts due to Broad Reach are current and none have been overdue during the year. As such, due to the low risk of non-payment from its counterparties, management is of the opinion that no provision is necessary. A financial asset is overdue when the counterparty has failed to make a payment when contractually due. Impairment is defined as a reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount.

Broad Reach has adopted the standardised approach to credit risk, and therefore follows the provision within BIPRU 3 standardised credit risk of the FCA handbook. Broad Reach applies a credit risk capital component of 8% to its non-trading book risk weighted exposure. As Broad Reach does not make use of an external credit rating agency, it is obligated to use a risk weight of 100% to all non-trading book credit exposures, except cash and cash equivalents which are held by investment grade firms and currently attract a risk weighting of 20%.

Market Risk

Broad Reach's market risk is limited to exposure to foreign exchange fluctuations as a result of its revenues being denominated in USD while the majority of its costs are denominated in GBP. Broad Reach's exposure to currency risk is actively controlled through, regular monitoring of future currency needs and stress testing of GBP cash flows.

Business Risk

Business risk is the risk of loss inherent in a firm's operating, business and industry environment. Broad Reach's main business risks relate to factors leading to a possible fall in assets under management and a consequent diminution in investment management fees. Broad Reach mitigates its exposure by holding sufficient capital to withstand adverse changes in the business environment

Liquidity Risk

Liquidity risk is the risk that Broad Reach will be unable to meet its financial obligations as they fall due. Broad Reach is subject to the FCA's Liquidity Rules and has considered liquidity risk in its stress testing. Liquidity risk is not considered material for the purposes of this disclosure.

Operational Risk

Broad Reach places strong reliance on the operational procedures and controls that it has in place in order to mitigate risk and seeks to ensure that all personnel are aware of their responsibilities in this respect.

Broad Reach has identified a number of key operational risks. These relate to disruption of the office facilities, system failures, trade failures and failure of third party service providers. Appropriate policies are in place to mitigate against risks, including appropriate insurance policies and business continuity plans.

Remuneration Code

Broad Reach has adopted a remuneration policy and procedures that comply with the requirements of chapter 19B of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook (SYSC) and in accordance with ESMA's Guidelines on sound remuneration policies. Broad Reach have considered all the proportionality elements in line with the FCA Guidance.

As a UK AIFM Broad Reach has assessed the proportionality elements and disapplies the Pay Out Rules. Furthermore, Broad Reach has concluded, on the basis of its size and the nature, scale and complexity of its legal structure and business that it does not need to appoint a remuneration committee. Instead, the Governing Body sets, and oversees compliance with, Broad Reach's remuneration policy including reviewing the terms of the policy at least annually.

Code Staff Remuneration

Senior management and members of staff whose actions have a material impact on the risk profile of Broad Reach are classified as Code Staff. The below table shows the number of Code Staff in each business area.

Type of Remuneration Code Staff	Number of Code Staff
Senior Management	3
Other Remuneration Code Staff	0
Total	3
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Total Fixed Remuneration of Code Staff	£450,000
Total Variable Remuneration of Code Staff	£2,838,747