REGISTERED NUMBER: 04223247 (England and Wales)

CHATHAM FINANCIAL EUROPE, LTD

STRATEGIC REPORT, DIRECTORS' REPORT AND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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FOR THE YEAR ENDED 31 DECEMBER 2016

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016

Directors:	M R Battistoni J A Macdonald
Registered office:	PO Box 698 69/85 Tabernacle Street London EC2A 4RR
Registered number:	04223247 (England and Wales)
Auditors:	The Gallagher Partnership LLP, Statutory Auditor 69-85 Tabernacle Street London EC2A 4RR
Business address:	4th Floor Burdett House 15-16 Buckingham Street London WC2N 6DU

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present the Strategic Report and financial statements for the year ended 31 December 2016. The purpose of the Strategic Report is to inform shareholders and help them to assess how the directors have performed their duties to promote the success of the Company. The report, together with the further information in the Directors' Report, provides;

- A fair and balanced review of the Company's business including:
i) The development and performance of the business during the year
ii) The position of the Company at the end of the year

- A description of the principal risks and uncertainties facing the Company.

Review of business
The principal activity of the Company is to advise on, arrange and assist clients in multiple facets of corporate and structured finance, including identifying interest rate and currency risks and implementing strategies to mitigate those risks. The Company is authorised and regulated by the Financial Conduct Authority ("FCA").

By September 2015 the majority of the assets of Chatham Financial SP.Z.O.O, a fellow group subsidiary now in liquidation, were transferred to the Company via its Polish branch and, so, these financial statements represent the first full year following this transfer.

In 2015 no external income was generated from the Company's Polish branch, which served solely to provide support services to the UK. However, as detailed in the turnover note 4, 2016 saw the Polish branch provide akin support services to other Chatham Group entities.

Key performance indicators
The company monitors the business performance through a number of key performance indicators including revenue growth and profit before taxation, as set out in the audited financial statements, summarised as follows:

	2016	2015
	£m	£m
Turnover	12.6	10.4
Profit before taxation	2.8	3.4
Shareholders' funds	5.0	4.3

Given the straight forward nature of the business the directors are of the opinion that further analysis using non-financial KPI's is not necessary for the understanding of the development, performance or position of the business.

Development and financial performance during the year
Chatham Financial Europe, Ltd is a FCA regulated firm which arranges over-the-counter interest rate and foreign currency derivatives for risk management purposes to its clients, which comprise of some of the largest financial and investment institutions in Europe.

As reported in the Company's profit and loss account, gross revenues have risen by 21% to £12.6m, up from £10.4m, with £1.5m of the increase coming directly as a result of the Company's Polish branch providing consultancy services to other Chatham group entities for the first time this year. UK revenues thus rose by 7% from 2015 to £11.1m, up from £10.4m, a steady increase following the last significant improvements in 2014 when the Company enjoyed a 48% increase in that period from the prior year. Consequently, profit after tax has also remained steady at £2.3m (2015: £2.8m). As alluded to, these figures represent consolidation of a notable improvement compared to pre 2014 results, and is mainly due to the aforementioned continuing rise in revenues which is, in part, due to investments in human resources, particularly with the Polish branch. However, the main driver of increased year-on-year turnover was a substantial increase in client activity in the second half of the year, with the first half possibly slower due to uncertainty on the Brexit vote. The Company's client base comprises some of the largest and most active property equity investors in Europe and, following the Brexit vote, capital markets activity increased noticeably despite to widely acknowledged surprising vote outcome. Furthermore, the Company continued to expand into other market segments such as corporates, infrastructure & project finance sectors, as well as broadening offerings such as hedge accounting and valuations.

Overall, the results for the year and the financial position at the year end were considered strong by the directors who expect reasonable growth in the foreseeable future.

The financial position of the company at the year end
At the year end the Company had a post-tax profit for the year of £2.3m (2015: £2.8m) and, following a dividend payout of £1.5m (2015: £3.1m), shareholders' funds increased to £5.1m from £4.3m. The Company generated cash from operations of £2.3m (2015: £3.1m) in the current year and invested £0.2m (2015: £0.1m) in fixed assets. The company had no external bank borrowings at the reporting date.

Future developments
The directors foresee the business to continue to grow in the forthcoming year and have continued to extensively explore further ways of developing and diversifying its income streams.

The directors do not expect any significant changes in the turnover, profit, structure or trade of the Company for the foreseeable future.

Description of principal risks and uncertainties
Management continually monitor the key risks facing the company/group together with assessing the controls used for managing these risks. The board of directors formally reviews and documents the principal risks facing the business at least annually.

The principle risks and uncertainties facing the company are as follows:

Financial Instruments
The Company operates in the financial services sector which is governed by regulators and monitored by the Financial Conduct Authority.

Financial instruments comprise of cash and working capital, i.e. the trade debtors and the trade creditors that arise during the course of the day to day business. This can result in a liquidity risk. The liquidity risk is controlled by maintaining a healthy balance between debtors and creditors. The debtor risk is controlled through a stringent credit control policy and regular monitoring of any outstanding amounts for both time and credit limits. Trade creditor liquidity risks are managed by ensuring that sufficient funds are available to meet amounts as and when they fall due and in accordance with agreed payment terms.

Turnover consists of commission receivable which is dependent on the customer entering into interest rate and foreign currency hedging products based on the work performed by the company.

The company has very limited exposure to financial instruments in respect of its own assets which comprise principally of cash in liquid resources, trade debtors and trade creditors that arise directly from its operations.

Business risk
Principal risk relates to the Company's ability to continue to generate fee income. The key income driver is Chatham's clients' need for debt or foreign currency hedging, which, in turn, is materially impacted by clients' access to financing and anticipated cash flows from non UK investments.

Reputational risk
Reputational risk relates to damage to an organisation through loss of its reputation or standing. This could include a variety of factors such as compliance failures, failure to properly oversee it employees and failure to provide appropriate risk oversight over the funds.

Operational risk
Operational risk relates to risks to CFE when running the business. This would include CFE's Disaster Recovery solutions and risks to CFE's technology infrastructure.

Liquidity risk
Liquidity risk relates to the amount of assets CFE holds in highly liquid, marketable forms that are available should unexpected cash flows lead to a liquidity problem.

Further details of how these risks are mitigated are continued in the attached unaudited Pillar 3 disclosures.

Brexit
As alluded to above, a substantial amount of the Company's clientèle are based in, or conduct a significant part of their activity within the EU area. In light of the referendum vote for the UK to leave the EU, management are aware of, and continue to consider the potential impact of Article 50 being triggered on both its own activities and behaviours, and that of its client base.

Areas under consideration include potential political, regulatory, and exchange rate uncertainty which could impact the Company's business activity.

On behalf of the board:

M R Battistoni - Director

7 April 2017

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report with the financial statements of the Company for the year ended 31 December 2016.

Dividends
An interim dividend of $4.40 per share was paid on 5 February 2016. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 2016 will be £1,544,510.

Directors
The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

M R Battistoni
J A Macdonald

Donations
The company made no donations of a political nature during the year.

Pillar 3
The company is required by its regulator, The Financial Conduct Authority, to make its disclosure risk policy available in accordance with Pillar 3 of the capital requirement directive. The disclosure is attached as an appendix to these financial statements. This disclosure is un-audited.

Disclosure in the strategic report
As permitted by paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 2 to 4. These matters relate to Future Developments and Financial Instruments.

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

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

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

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

Statement as to disclosure of information to auditors
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors
The auditors, The Gallagher Partnership LLP, Statutory Auditor, will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the board:

M R Battistoni - Director

7 April 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHATHAM FINANCIAL EUROPE, LTD

We have audited the financial statements of Chatham Financial Europe, Ltd for the year ended 31 December 2016 on pages eight to twenty six. 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page five, the directors 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Imtiaz Arian (Senior Statutory Auditor)
for and on behalf of The Gallagher Partnership LLP, Statutory Auditor
69-85 Tabernacle Street
London
EC2A 4RR

7 April 2017

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Turnover	4	12,578,467	10,358,389
Administrative expenses		(9,789,454)	(7,046,393)
		2,789,013	3,311,996
Other operating income		988	53,634
Operating profit	7	2,790,001	3,365,630
Interest payable and similar expenses	9	-	(1)
Profit before taxation		2,790,001	3,365,629
Tax on profit	10	(503,260)	(615,482)
Profit for the financial year		2,286,741	2,750,147

The notes form part of these financial statements

OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Profit for the year		2,286,741	2,750,147
Other comprehensive income			
Translation reserve		92,575	1,879
Income tax relating to other comprehensive income		-	-
Other comprehensive income For the year, net of income tax		92,575	1,879
Total comprehensive income for the year		2,379,316	2,752,026

The notes form part of these financial statements

CHATHAM FINANCIAL EUROPE, LTD (REGISTERED NUMBER: 04223247)

BALANCE SHEET
31 DECEMBER 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets	12		449,616		414,888
Current assets					
Debtors	13	3,453,207		2,255,010	
Cash at bank and in hand	14	3,238,166		3,209,464	
		6,691,373		5,464,474	
Creditors					
Amounts falling due within one year	15	1,926,998		1,482,379	
Net current assets			4,764,375		3,982,095
Total assets less current liabilities			5,213,991		4,396,983
Provisions for liabilities	18		(25,067)		(16,667)
Accruals and deferred income	19		(96,607)		(122,805)
Net assets			5,092,317		4,257,511
Capital and reserves					
Called up share capital	20		500,000		500,000
Retained earnings	21		4,592,317		3,757,511
Shareholders' funds			5,092,317		4,257,511

The financial statements were approved by the Board of Directors on 7 April 2017 and were signed on its behalf by:

M R Battistoni - Director

The notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2015	500,000	4,126,335	4,626,335
Changes in equity			
Dividends	-	(3,120,850)	(3,120,850)
Total comprehensive income	-	2,752,026	2,752,026
Balance at 31 December 2015	500,000	3,757,511	4,257,511
Changes in equity			
Dividends	-	(1,544,510)	(1,544,510)
Total comprehensive income	-	2,379,316	2,379,316
Balance at 31 December 2016	500,000	4,592,317	5,092,317

The notes form part of these financial statements

CHATHAM FINANCIAL EUROPE, LTD (REGISTERED NUMBER: 04223247)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	1	2,338,643	3,085,910
Interest paid		-	(1)
Tax paid		(561,746)	(728,972)
Overseas deferred tax- other adjustment		(7,643)	(15,851)
Net cash from operating activities		1,769,254	2,341,086
Cash flows from investing activities			
Purchase of tangible fixed assets		(196,042)	(144,963)
Net cash from investing activities		(196,042)	(144,963)
Cash flows from financing activities			
Equity dividends paid		(1,544,510)	(3,120,850)
Net cash from financing activities		(1,544,510)	(3,120,850)
Increase/(decrease) in cash and cash equivalents		28,702	(924,727)
Cash and cash equivalents at beginning of year	2	3,209,464	4,134,191
Cash and cash equivalents at end of year	2	3,238,166	3,209,464

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

1. **Reconciliation of profit before taxation to cash generated from operations**

	2016	2015
	£	£
Profit before taxation	2,790,001	3,365,629
Depreciation charges	172,869	107,142
Loss on disposal of fixed assets	3,329	1,766
Movement in non-tax provisions	8,400	8,334
Net transfer to ownership - fixed assets	-	(136,233)
Translation differences	77,691	2,004
Finance costs	-	1
	3,052,290	3,348,643
(Increase)/decrease in trade and other debtors	(1,127,390)	37,168
Increase/(decrease) in trade and other creditors	413,743	(299,901)
Cash generated from operations	2,338,643	3,085,910

2. **Cash and cash equivalents**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	3,238,166	3,209,464

Year ended 31 December 2015

	31.12.15	1.1.15
	£	£
Cash and cash equivalents	3,209,464	4,134,191

The notes form part of these financial statements

1. **Statutory information**

Chatham Financial Europe, Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. **Statement of compliance**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

3. **Accounting policies**

Basis of preparing the financial statements
The financial statements have been prepared under the historical cost convention.

Set out below is a summary of the principal accounting policies, all of which have been applied consistently (except as otherwise stated).

Significant judgements and estimates
In applying the Company's accounting policies, the directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The directors' judgements, estimated and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies
The critical judgement that the directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below:

(i) Assessing Indicators and impairment
In assessing whether there have been any indicators or impairment assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience or recoverability. There have been no indicators or impairments identified during the current financial year.

(ii) Share based payments
The Company's employees have been granted share options by the ultimate parent company, Chatham Financial Corporation.The expense charged to the income statement is an estimation based upon the fair values of the options spread over the vesting period. The amounts charge for this year are not considered significant however.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(iii) Recoverability of receivables
The Company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the directors consider factors such as the aging of the receivables, past experience and recoverability, and the credit profile of individual or groups of customers.

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(iv) Determining residual values and useful economic lives of property, plant and equipment
The Company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives is based on historical performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the Company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

Turnover
Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue is recognised in line with accrual accounting based on fees received for services provided during the year.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Land and buildings leasehold	- Over the term of the lease
Plant and machinery	- Straight line over 3 years
Fixtures and fittings	- Straight line over 4 years
Computer equipment	- Straight line between 3 - 5 years

Property, plant and equipment are initially recognised at costs which is the purchase price plus any directly attributable costs. Subsequently property plant and equipment are measured at cost less accumulated depreciation and impairment losses, except for land and buildings which are measured using the revaluation mode.

Impairment of assets
At each reporting date the Company reviews the carrying value of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset, or cash generating unit. The present value calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset, and from its ultimate disposal, applying an appropriate discount rate to those future cash flows.

Where the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognised immediately in profit or loss. An impairment loss recognised for all assets is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply. Impairment losses are charged to the income statement in administration expenses.

continued...

3. **Accounting policies - continued**

Financial instruments
Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. The Company holds financial instruments which comprise cash and cash equivalents, trade and other receivables, equity investments, trade and other payables, loans and borrowings. The company has chosen to apply the provisions of Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments in full.

Financial assets and liabilities - classified as basic financial instruments

(i) Cash and cash equivalents
This includes cash in hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

(ii) Trade and other receivables
Trade and other receivables are initially recognised at the transaction price, including any transaction costs, and subsequently measured at amortised cost including the effective interest method, less any provision for impairment. Amounts that are receivable within one year are measured at the undiscounted amount of the cash expected to be received, net of any impairment.

At the end of each reporting period, the Company assesses whether there is objective evidence that an receivable amount may be impaired. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in profit or loss.

(iii) Equity investments
Equity investments comprise ordinary shares, publicly traded in active markets for which a reliable fair value can be measured reliably. Any equity investments held are initially recognised at fair value, which is the transaction price excluding transaction costs and are subsequently measured at fair value through profit or loss.

(iv) Trade and other payables and loans and borrowings
Trade and other payables and loans and borrowings are initially measured at the transaction price, including any transaction price, including any transaction costs, and subsequently measured at amortised cost using the effective interest method.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted, and are offset only when there is a legally enforceable right to set off the amounts and there is the intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current tax is recognised at the amount of tax payable using the tax rates and laws that that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

continued...

3. **Accounting policies - continued**

Foreign currencies
Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at that date the transaction took place. Where this is not possible to determine, income and expense items are translated using an average exchange rate for the period.

Monetary asset and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities are reported in profit or loss.

The accounting records of the Polish branch are maintained in Polish Zloty, its functional currency, which is different to Pound Sterling, the functional and presentational currency of the Company. All assets and liabilities denominated in the Polish Zloty are translated into the presentation currency at the balance sheet date and are translated at the exchange rate ruling at that date. The revenues and expenses denominated in Polish Zloty are translated into the presentation currency at average exchange rates. Foreign exchange difference arising on translation from Polish Zloty to its presentation currency is recognised within the Other Comprehensive Income Statement on page 9.

Leases
Lease arrangements are classified as a finance lease where the terms of the lease transfer substantially all the risks and regards of ownership to the lessee. All other lease arrangements are classified as an operating lease.

<u>The Company as a lessee</u>
Assets held under finance lease arrangements are recognised as assets within property, plant and equipment at their fair value, or if lower at the present value of the minimum lease payments, each determined at the inception of the lease. The assets are subsequently depreciated over the shorter of the lease terms and their useful life. The corresponding finance lease liability is recognised as a finance obligation, with lease payments being apportioned between finance charges and a reduction to the lease obligation so as to achieve a constant rate of interest on the remaining amount of the liability. Finance charges are recognised within profit or loss.

Payments made under operating lease arrangements are charged to profit or loss on a straight line basis over the lease term. Benefits receivable as operating lease incentives are recognised within profit or loss on a straight line basis offer the lease term.

Pension costs and other post-retirement benefits
The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Share-based payments
Through the ultimate parent company, Chatham Financial Corporation, the Company has issued share options and awards to certain directors and employees. These must be measured at fair value and recognised as an expense in the income statement. The fair value of the options was estimated at the date of grant. The fair value will be charged as an expense in the income statement over the vesting period. The charge is adjusted each year to reflect the expected and actual level of vesting.

continued...

3. **Accounting policies - continued**

Going concern
These financial statements have been prepared on a going concern basis.

The current economic conditions present increased risks for all businesses. In response to such conditions, the directors have carefully considered these risks including an assessment on uncertainty on future trading projection for a period of at least 12 months from the date of signing the financial statements, and the extent to which they might affect the preparation of the financial statements on a going concern basis.

Based on assessment, the directors consider that the Company maintains an appropriate level of liquidity, sufficient to meet the demands of the business including any capital and servicing obligations and external debt liabilities.

In addition, the Company's assets are assessed for recoverability on a regular basis, and the directors consider that the Company is not exposed to losses on these assets which would affect their decision to adopt the going concern basis.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties that lead to significant doubts upon the Company's ability to continue as a going concern. Thus the directors have continued to adopt the going concern basis of accounting in preparing these financial statements.

Provisions
Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probably that the obligation will be required to be settled, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting. taking into account the risks and uncertainties surrounding the obligation. Provisions are discounted when the time value of money is material.

Equity
Equity instruments are classified in accordance with the substance of contractual agreement. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

4. **Turnover**

The turnover and profit before taxation are attributable to the principal activities of the Company.

An analysis of turnover by class of business for the year ended 31 December 2016 is given below:

	£
Principal activity	11,085,577
Chatham Group consultancy	1,492,890
	12,578,467

This analysis is not considered to be applicable to the year ended 31 December 2015.

During 2016, the Company's Polish branch began to provide consultancy services to external fellow Chatham group entities as split out above.

continued...

5. Employees and directors

	2016	2015
	£	£
Wages and salaries	5,248,088	3,359,055
Social security costs	562,921	409,313
Other pension costs	177,657	129,115
	5,988,666	3,897,483

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

	2016	2015
Operations & marketing	70	32
Administration	7	4
	77	36

Included within wages and salaries are share-based remuneration charges of £183,678 (2015: £84,432).

All figures above are inclusive of the directors of the company.

6. Directors' emoluments

	2016	2015
	£	£
Directors' remuneration	935,799	730,969
Directors' pension contributions to money purchase schemes	20,000	20,000

The number of directors to whom retirement benefits were accruing was as follows:

	2016	2015
Money purchase schemes	2	2

Two directors exercised share options during the year (2015 - two directors).

Information regarding the highest paid director is as follows:

	2016	2015
	£	£
Emoluments etc	651,171	490,806
Pension contributions to money purchase schemes	10,000	10,000

Other than the directors there were no personnel considered to be key management.

7. Operating profit

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

	2016	2015
	£	£
Hire of plant and machinery	-	210
Other operating leases	299,109	237,587
Depreciation - owned assets	172,869	107,142
Loss on disposal of fixed assets	3,329	1,766
Foreign exchange differences	(490,588)	(25,651)

continued...

8. Auditors' remuneration

	2016 £	2015 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	13,000	13,000
Total audit fees	13,000	13,000
Taxation compliance services	3,500	3,000
Other non- audit services	13,500	12,500
Total non-audit fees	17,000	15,500
Total fees payable	30,000	28,500

9. Interest payable and similar expenses

	2016 £	2015 £
Bank interest	-	1

10. Taxation

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	2016 £	2015 £
Current tax:		
UK corporation tax	487,426	650,748
Overseas taxation	61,850	(16,089)
Total current tax	549,276	634,659
Deferred tax:		
Deferred tax	17,959	17,604
Deferred tax - overseas	(63,975)	(36,781)
Total deferred tax	(46,016)	(19,177)
Tax on profit	503,260	615,482

10. **Taxation - continued**

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2016 £	2015 £
Profit before tax	2,790,001	3,365,629
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.250%)	558,000	681,540
Effects of:		
Expenses not deductible for tax purposes	4,635	5,695
Capital allowances in excess of depreciation	(6,646)	(33,121)
Adjustment regarding pensions - deductible on a paid basis	(10,249)	2,622
Share based payment adjustment	3,652	(4,548)
Change in rate of corporation tax during the year	-	(111)
UK Deferred tax movement	17,959	17,604
FRS 102 transition adjustments	-	(1,687)
Loss on disposal of fixed assets	666	358
Overseas deferred tax movement	(63,975)	(36,781)
Overseas Corporation Tax	61,850	(16,089)
Double taxation relief	(62,632)	-
Total tax charge	503,260	615,482

Tax effects relating to effects of other comprehensive income

	2016 Gross £	2016 Tax £	2016 Net £
Translation reserve	92,575	-	92,575
	92,575	-	92,575

	2015 Gross £	2015 Tax £	2015 Net £
Translation reserve	1,879	-	1,879
	1,879	-	1,879

11. **Dividends**

	2016 £	2015 £
Ordinary shares of £1 each		
Interim	1,544,510	3,120,850

continued...

12. Tangible fixed assets

	Land and buildings leasehold £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
Cost					
At 1 January 2016	239,238	132,782	122,133	540,684	1,034,837
Additions	-	35,167	-	160,875	196,042
Disposals	-	(96,996)	-	(37,976)	(134,972)
Exchange differences	16,958	7,175	5,444	17,098	46,675
At 31 December 2016	256,196	78,128	127,577	680,681	1,142,582
Depreciation					
At 1 January 2016	94,981	111,952	88,128	324,888	619,949
Charge for year	36,600	12,295	14,094	109,880	172,869
Eliminated on disposal	-	(93,537)	-	(38,106)	(131,643)
Exchange differences	8,294	5,203	4,294	14,000	31,791
At 31 December 2016	139,875	35,913	106,516	410,662	692,966
Net book value					
At 31 December 2016	116,321	42,215	21,061	270,019	449,616
At 31 December 2015	144,257	20,830	34,005	215,796	414,888

13. Debtors: amounts falling due within one year

	2016 £	2015 £
Trade debtors	2,782,119	1,705,688
Amounts owed by group undertakings	171,760	150,737
Other debtors	114,386	51,007
Tax - Poland	58,423	41,275
VAT	-	50,645
Deferred tax asset	62,945	9,286
Prepayments and accrued income	263,574	246,372
	3,453,207	2,255,010

Deferred tax asset

	2016 £	2015 £
Accelerated capital allowances	(68,454)	(61,121)
Other timing differences	131,399	70,407
	62,945	9,286

14. Cash at bank and in hand

Cash at bank and in hand includes balances with the following institutions who exert securities over the Company:

Security held by HSBC
Debenture including Fixed Charge over all present freehold and leasehold property; First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and First Floating charge over all assets and undertaking both present and future.

continued...

15. **Creditors: amounts falling due within one year**

	2016	2015
	£	£
Trade creditors	44,165	51,445
Amounts owed to group undertakings	45,871	142,078
Tax - UK	366,926	362,248
Social security and other taxes	362,557	307,930
VAT	44,408	-
Other creditors	-	24,250
Accruals and deferred income	1,025,443	505,554
Accrued pension	37,628	88,874
	1,926,998	1,482,379

16. ***Leasing agreements***

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2016	2015
	£	£
Within one year	323,629	292,979
Between one and five years	1,185,951	815,920
In more than five years	181,309	-
	1,690,889	1,108,899

Amounts due within one year include £18,000 which is subjected to the delivery of new offices, currently under construction, by November 2017.

17. **Financial instruments**

The Company has the following financial instruments:

	2016	2015
Debtors	£	£
Financial assets that are debt instruments measured at amortised cost:		
- Cash at bank and in hand	3,238,166	3,209,464
- Trade debtors	2,782,119	1,705,688
- Amounts owed by group undertakings	171,760	150,737
- Other debtors	87,522	50,905
- Accrued income	63,155	53,184
	6,464,090	5,169,978

	2016	2015
Creditors	£	£
Financial liabilities measured at amortised cost:		
- Trade creditors	44,165	51,445
- Amounts owed to group undertakings	45,871	142,078
- Accruals and deferred income	1,063,071	594,428
- Dilapidations provisions	25,067	16,667
	1,1178,174	828,868

18. **Provisions for liabilities**

	2016	2015
	£	£
Other provisions		
Dilapidations provision	25,067	16,667

continued...

18. **Provisions for liabilities - continued**

	Deferred tax £	Other provisions £
Balance at 1 January 2016	(9,286)	16,667
Credit to Income Statement during year	(46,016)	-
Dilapidations provision	-	8,400
Overseas deferred tax adjusted	(7,643)	-
Balance at 31 December 2016	(62,945)	25,067

19. **Accruals and deferred income**

	2016 £	2015 £
Deferred rent	96,607	122,805

20. ***Called up share capital***

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016 £	2015 £
500,000	Ordinary	£1	500,000	500,000

21. **Reserves**

	Retained earnings £
At 1 January 2016	3,757,511
Profit for the year	2,286,741
Dividends	(1,544,510)
Translation reserve	92,575
At 31 December 2016	4,592,317

22. **Pension commitments**

Defined contribution

	2016 £	2015 £
Contributions payable by the company for the year	177,657	129,115
Contributions payable to the fund at the year-end and included in creditors	(37,628)	(88,874)

23. **Related party disclosures**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

24. ***Ultimate controlling party***

The ultimate parent company is Chatham Financial Corporation, a company registered in the state of Pennsylvania, USA.

continued...

25. Share-based payment transactions

The annual bonus award is a combination of cash and equity awards in the parent company in accordance with the group's bonus policy. Chatham Financial Europe, Ltd (CFE) does not issue its equity to employees for compensation, but employees of CFE are eligible for equity based compensation from the parent company. The non-vested shares are amortised and allocated to CFE as they vest, and the related compensation is expensed as the shares are earned and paid out to the CFE employees.

Further details of the share based payments are as follows:

Time Vested Restricted Stock Program

	Number of shares 2016	Weighted average price 2016 $	Number of shares 2015	Weighted average price 2015 $
At beginning of the year	1,724	21.51	5,185	21.48
Granted	-	-	-	-
Forfeited	-	-	(368)	21.44
Exercised	(1,724)	21.51	(3,093)	21.47
Outstanding at end of the year	-	-	1,724	21.51

The vesting schedules vary among the grants, generally vesting over a period of 1 - 4 years or based on performance.

The vesting conditions provide that the employees complete the required years of service as stipulated in the particular grant.

A charge for the year of £26,711 (2015: £33,461) has been made in relation to these awards.

2016 Stock Bonus

CFE employees were awarded a total of 2,850 shares with a value of $34.08 during the year which all vested immediately.

A charge for the year of £69,791 has been made in relation to these awards.

CFE employees were awarded a total of 403 shares with a value of $34.08 in January 2016 which all vested in March 2016.

A charge for the year of £11,518 has been made in relation to these awards.

Share option awards

	Number of options 2016	Weighted average price 2016 $	Number of options 2015	Weighted average price 2015 $
At beginning of the year	19,268	2.82	19,268	2.82
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding at end of the year	19,268	2.82	19,268	2.82

All options are issued at the stock price effective at the time of grant.

At 31 December 2016 the weighted average exercise price was $16.93.

continued...

The weighted average remaining contractual life is 19 years.

A charge for the year of £nil (2015: £nil) has been made in relation to these awards.

Leveraged Restricted Stock Equity Program

The Leveraged Restricted Stock Equity Program (or LREP) is a performance based stock grant program. It consists of (i) a distribution reinvestment/discounted purchase program and (ii) performance based restricted stock grants. The performance trigger is a formula based upon the amount of our annual distributions. The grantee initially purchases 5% of the total available program shares at the price in effect at the grant date. 50% of distributions on those shares are held back and mandatorily reinvested in a discount purchase program where the grantee continues to purchase at the original grant price. Additionally, the grantee vests into restricted stock based upon the annual distribution/vesting formula. As stock vests the 50% reinvestment requirement applies to both purchased and vested shares. So, the amount of the 50% the grantee receives grows, but also the 50% for purchasing more shares. The grantee pays taxes on the full distribution on the owned/vested shares, and owes taxes as vesting occurs. That aggregate tax liability is initially painful, but in later years, quite.

Note re: UK investors
The UK employees who are part of the LREP purchased 483 shares at full price in June 2015 from the parent company. An additional 9,183 shares have been set aside for the UK employees for performance grant purposes.

A small number of shares were amortised on the US books as of 30 September 2015. At first vesting in March 2016, the UK portion was booked as comp expense as follows:

	Number of options 2016	Weighted average price 2016 $	Number of options 2015	Weighted average price 2015 $
At beginning of the year	-	-	-	-
Granted	6,724	208,646	-	-
Forfeited	-	-	-	-
Exercised	(1,752)	54,365	-	-
Outstanding at end of the year	4,972	154,281	-	-

A charge for the year of £75,658 (2015: £nil) has been made in relation to these awards.

The following pages do not form part of the statutory Financial Statements and are unaudited

Disclosure under Pillar 3 of Capital Requirements Directive

The Capital Requirements Directive ('The Directive') of the European Union establishes a regulatory capital framework across Europe governing the amount and nature of capital that credit institutions and investment firms must maintain.
In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ("FCA") in its regulations through the General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook for Banks, Building Societies and Investments Firms ("BIPRU").

The FCA framework consists of three "Pillars"

- Pillar 1 sets out the minimum capital amount that meets the firm's credit, market and operational risk capital requirement.

- Pillar 2 requires the firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet pillar 1 requirements and further determine whether it should apply additional capital, processes, strategies or systems to cover any other risks that it may be exposed to.

- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position, and remuneration policy and amounts to encourage market discipline.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This document is designed to meet our Pillar 3 obligations.

The Pillar 3 disclosure document has been prepared by Chatham Financial Europe, Ltd ("The Firm") in accordance with the requirements of BIPRU 11 and is verified by the senior management. Unless otherwise stated, all figures are as at the financial year end.

Pillar 3 disclosures will be issued on an annual basis after the year end and published with the annual accounts.

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the firm.

In addition, we may omit required disclosures where we believe that the information is regarded as proprietary or confidential in our view. Proprietary information is that which, if it were shared would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties.

We have no omissions on the grounds that it is immaterial, proprietary or confidential.

Scope and application of the requirements

The Firm is authorised and regulated by the FCA and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a Limited Licence Firm by the FCA for capital purposes.

It is a risk/investment management firm and as such has no trading book exposures.

Risk management

The Firm 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 Senior Management team takes overall responsibility for this process and the fundamental risk appetite of the firm. The team has responsibility for the implementation and enforcement of the Firm's risk principles.

Senior Management meets on a regular basis to discuss current projections for profitability, cash flow, business planning and risk management. Senior Management engage in the Firm's risk management through a framework of policy and procedures having regard to the relevant laws, standards, principles and rules, (including FCA principles and rules) with the arm to operate a defined and transparent risk management framework. These policies are updated as required.

The Senior Management team has identified that business, operational, market, reputation, liquidity and credit are the main areas of risk to which the Firm is exposed. Annually the Senior Management team formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness.

Management accounts demonstrate continued adequacy of the firm's regulatory capital, which is reviewed on a regular basis.

Appropriate action is taken where risks are identified which fall outside of the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the firm's mitigating controls.

Business risk

Business risk relates to being able to generate fee income and control costs on an on-going basis in-line with business plans. The key income driver is CFE's clients' need for debt or foreign currency hedging, which, in turn, is materially impacted by CFE's clients' access to financing and anticipated cash flows from non UK investments.

The firm strives to continue developing a diversified stream of stable advisory fees in able to mitigate these risks.

Operational risk

The Firm 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.

The Firm has identified a number of key operational risks to manage. This would include CFE's Disaster Recovery solutions and risks to CFE's technology infrastructure.

To mitigate risk the firm maintains offsite storage of key documents and electronic back up of data and e-mails.

Reputational risk

Reputational risk relates to damage to an organisation through loss of its reputation or standing. This could include a variety of factors such as compliance failures, failure to properly oversee it employees and failure to provide appropriate risk oversight over the funds.

The firm operates with a flat organisational structure where the most senior personnel are the "doers" and are intimately involved in all CFE's activities to help mitigate risk in this area.

Credit risk

The Firm is exposed to credit risk in respect of its debtors, investment management and performance fees billed and cash held on deposit.

The Firm considers that there is little risk of default by its clients. All bank accounts are held with large international credit institutions.

Given the nature of the Firm's exposures, no specific policy for hedging and mitigating credit risk is in place. The Firm uses the simplified standardised approach detailed in BIPRU 3.55 of the FCA Handbook when calculating risk weighted exposures of 1.6% (Cash in Bank) and 8% in respect of its other assets.

Market risk

The Firm takes no market risk other than foreign exchange risk in respect of its accounts receivable and cash balances held in currencies other than GBP.

Since the Firm takes no trading book positions, the primary market risk relates to fluctuations in the value of its revenues due to movements in currency rates. The Firm maintains multi-currency bank accounts.

The Firm calculates its foreign exchange risk by reference to the rules of BIPRU 7.51 of the FCA Handbook and applies an 8% risk factor to its foreign exchange exposure.

Liquidity risk

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due or to ensure that it can secure additional financial resources in the event of a stress scenario.

The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under normal business conditions. The firm has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits it holds.

Regulatory capital

The firm is a Limited Company and the main features of its capital resources for regulatory purposes are as follows:

	31 December 2016 **£**
Tier 1 capital	5,092,000
Tier 2 capital	NIL
Tier 3 capital	NIL
Deductions from Tiers 1 and 2	NIL
Total capital resources	**5,092,000**

Our firm is small with simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from management and performance fees receivable from the funds under its management. The Firm follows the standardised approach to market risk and the simplified standard approach to credit risk.

Limited Licence – The Firm is subject to the Fixed Overhead Requirement ("FOR") and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

As discussed above the firm is a limited licence firm and as such its Pillar 1 capital requirement is the higher of;

- €50,000
- The sum of the market & credit risk requirements
- Its FOR

The FOR is the higher measure and is calculated, in accordance with FCA rules based on the firm's previous year's audited expenditure. The firm is not subject to an operational risk requirement.

The firm's Pillar 2 Internal Capital Adequacy Assessment Process indicates that no capital in addition to the Pillar 1 level is required.

Remuneration Code Disclosure

Chatham Financial Europe, Ltd ("The Firm") is authorised and regulated by the Financial Conduct Authority as a Limited Licence Firm and so it is subject to FCA Rules on remuneration. These are contained in the FCA's Remuneration Code located in the SYSC Sourcebook of the FCA's Handbook. The Remuneration Code ("the RemCode") covers an individual's total remuneration, fixed and variable. The Firm incentivises staff through a combination of the two.

The Firm's business is to provide investment / risk management services to a variety of clients in the financial sector.

Our Policy is designed to ensure that we comply with the RemCode and our compensation arrangements;

1 Are consistent with and promote sound and effective risk management

2 Do not encourage excessive risk taking

3 Include measures to avoid conflicts of interest, and

4 Are in line with the Firm's business strategy, objectives , values and long term interests

Application of the requirements

We are required to disclose certain information on at least an annual basis regarding our remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the firm. Our disclosure is made in accordance with our size, internal organisation and the nature, scope and complexity of our activities.

1. Summary of information on the decision-making process used for determining the firm's remuneration policy including use of external benchmarking consultants where relevant;

    - The Firm's policy has been agreed by the Senior Management in line with the RemCode principles laid down by the FCA
    - Due to the size, nature and complexity of the firm, we are not required to appoint an independent remuneration committee
    - The Firm's policy will be reviewed as part of annual process and procedures, or following a significant change to the business. The Firm's ability to pay bonuses is based on the performance of the firm overall and derived after the fund's managed returns have been calculated by client appointed third party administrators
    - There is limited involvement of the Firm in deriving asset prices

2. Summary of how the firm links between pay and performance

   - Individuals are rewarded based on their contribution to the overall strategy of the business concerning

     a. Investment Generation
     b. Investment Trading
     c. Sales & Marketing
     d. Operations

   - Other factors such as performance, reliability, effectiveness of controls, business development and contribution to the business are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the firm.

3. All discretionary remuneration is directly related to the performance of our managed entities and as such staff interests are intrinsically aligned with the interest of the Firm and its Clients vis-a-vis remuneration and performance.