



GVQ Investment Management Limited

Registered Number - 4493500

Annual Report and Financial Statements For the year ended 31 December 2017

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GVQ Investment Management Limited

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GVQ Investment Management Limited

Strategic Report for the year ended 31 December 2017

Principal activities and strategy

GVQ Investment Management Limited (the 'Company') is a London based specialist fund manager and advisor, created with the objective of adopting private equity investment techniques and adapting them for use in the public equity markets. The registered office of the Company is 12-13 St. James's Place, London, SW1A 1NX. The Company is a Limited Company (by shares) and incorporated in the United Kingdom.

The Company was authorised as a full scope AIFM on 22 July 2014 and currently offers three investment strategies that follow the same distinctive investment process and are driven by a single research platform:

GVQ UK Focus Fund

GVQ UK Focus Fund ('UKFF') invests in the equity of UK publicly listed companies where our private equity based research indicates they are undervalued and where we have identified a specific catalyst that should lead to an increase in shareholder value. This is a focused portfolio typically made up of up to 35 holdings, offering full liquidity and transparency.

GVQ Opportunities Fund

GVQ Opportunities Fund ('OPPS') invests in the equity of up to 45 UK quoted companies which have been identified as undervalued using private equity based valuation techniques. The Fund may also invest in up to 20% of its net asset value in non-UK domiciled companies.

Strategic Equity Capital plc

Strategic Equity Capital plc ('SEC') is a London-listed Investment Trust which seeks to create shareholder value through constructive corporate engagement with publicly quoted UK companies. SEC listed on the London Stock Exchange on 19 July 2005, having raised funds from a wide range of investors including institutions, pension funds and private banks.

Key performance indicators

The Directors consider the key performance indicators for the Company to be as follows:

Measure	2017	2016	Change
Management Fee income (£)	5,234,080	4,606,148	627,932
Performance Fee income (£)	1,856,185	-	1,856,185
Profit before tax (£)	2,508,224	645,594	1,862,630
Funds Under Management (£'m)	705	662	43

During the year funds under management increased from £662m as at 31 December 2016 to £705m as at 31 December 2017. During the year UKFF generated a total return of 8.0% (2016: 12.7%), OPPS generated a total return of 9.6% (2016: 9.7%) and SEC generated a total return of 21.7% (2016: 6.3%). Management fee income increased from £4,606,148 in 2016 to £5,234,080 in 2017 as a result of increased funds under management. Additionally, the Company earned a performance fee of £1,856,185 during the year (2016: nil) as a result of outperforming the performance benchmark within the SEC fund. Therefore, the total fee income increased from £4,606,148 in 2016 to £7,090,265 in 2017.

Likely future developments

The Company aims to increase funds under management through positive fund performance and net fund inflows.

GVQ Investment Management Limited

Strategic Report for the year ended 31 December 2017

On 16 December 2017, GVQIM Holdings Limited entered into an agreement to acquire the Company from RIT Capital Partners plc, subject to regulatory approval. Regulatory approval was received on 25 January 2018. The deal is expected to complete in February 2018 - Upon payment of a Dividend to RIT Capital Partners plc, and the signing of the financial statements.

Principal risks and uncertainties

The Directors are responsible for the risk management of the Company from a strategic, business and process risk perspective. The Directors have assessed the currency risk, operational risk, client risk, price risk, credit risk and liquidity risk exposure of the Company based on underlying activity performed.

Market Price risk

The Company is exposed to market price risk as management fee income is calculated as a percentage of net asset value of the managed funds.

Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Company is exposed to credit risk in relation to management fee payments, and deposits held with the bank.

Liquidity risk

The Firm does not maintain any credit, overdraft or loan facilities. For this reason, the Directors consider any liquidity risk to be negligible.

Ultimate parent undertaking

RIT Capital Partners plc, a London-listed investment trust, owns 100% of the Company.

On behalf of the Board, 26 February 2018



Director

GVQ Investment Management Limited

Report of the Directors for year ended 31 December 2017

The Directors submit their report together with the audited financial statements for the year ended 31 December 2017.

Directors

The Directors in office during the year and as at the date of this report were:

Ben Russell
Jamie Seaton
Stuart Widdowson (resigned 06 Feb 17)
Aron Balas
Jonathan Kestenbaum

Results and dividends

During the year the Company made a profit for the year of £2,024,362 (2016: profit of £514,456). A dividend of £2,000,000 was paid during the year.

Directors and directors' interests

Jamie Seaton is 50% shareholder of GVQIM Holdings Limited. On 16 December 2017, GVQIM Holdings Limited entered into an agreement to acquire the Company from RIT Capital Partners plc, subject to regulatory approval. Regulatory approval was received on 25 January 2018. The deal is expected to complete in February 2018 - Upon payment of a Dividend to RIT Capital Partners plc, and signing of the financial statements.

Directors' and officers' liability insurance

The Company maintains its own directors' and officers' liability insurance policy. The policy includes a qualifying third party indemnity provision which was in force during the financial year and also at the date of approval of the financial statements.

Financial instruments and risk profile

The Company's financial instruments are discussed in note 1 and note 15. The main financial risks faced by the Company and the management of those risks are set out in note 15.

Going concern

The Directors believe that the Company is positioned to manage its business risks successfully and, after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

GVQ Investment Management Limited made a profit in the year of £2,024,362 (2016: £514,456) and had a cash balance of £4,435,407 (2016: £3,915,720) as at 31 December 2017. Therefore, the Company has adequate financial resources to continue in operational existence. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Independent Auditors

PricewaterhouseCoopers LLP, were appointed auditors in November 2015.

Provision of information to auditors

With regard to the preparation of the Annual Report and Financial Statements of the Company for the year ended 31 December 2017, the Directors have confirmed to the auditors that:

- so far they are aware, there is no relevant audit information of which the auditors are unaware;
and

GVQ Investment Management Limited

Report of the Directors for year ended 31 December 2017

- they have taken the steps appropriate as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Ben Russell', with a stylized, flowing script.

Director
Ben Russell

GVQ Investment Management Limited

Statement of directors' responsibilities in respect of the financial statements for year ended 31 December 2017

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors 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.

GVQ Investment Management Limited

Independent auditors' report to the members of GVQ Investment Management Limited

Report on the audit of the financial statements

Opinion

In our opinion, GVQ Investment Management Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position, the Statement of comprehensive income, the Cash flow statement, the Statement of changes in equity; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

GVQ Investment Management Limited

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Alison Morris (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 February 2018

GVQ Investment Management Limited

Statement of comprehensive income for the year ended 31 December 2017

		For the year ended 31 December 2017	For the year ended 31 December 2016
	Notes	£	£
Operating income			
Fee income		7,090,265	4,606,148
Total revenue	2	7,090,265	4,606,148
Operating expenses			
Administrative expenses	3	(4,582,267)	(3,961,209)
Operating profit		2,507,998	644,939
Other operating income		5,932	10,386
Exchange loss		(5,706)	(9,731)
Profit before tax		2,508,224	645,594
Tax	6	(483,862)	(131,138)
Profit for the year and total comprehensive income		2,024,362	514,456

All items in the above statement derive from continuing operations.

The notes on pages 14 to 25 form an integral part of these financial statements.

GVQ Investment Management Limited

**Statement of changes in equity for the year ended
31 December 2017**

	Called up Share capital	Share Premium	Capital contribution reserve	Profit and loss reserve	Total equity
	£	£	£	£	£
For the year ended 31 December 2017					
Balance as at 1 January 2017	799,999	672,800	500,000	1,566,328	3,539,127
Profit for the year and total comprehensive income	-	-	-	2,024,362	2,024,362
Dividend paid	-	-	-	(2,000,000)	(2,000,000)
Balance at 31 December 2017	799,999	672,800	500,000	1,590,690	3,563,489
For the year ended 31 December 2016					
Balance as at 1 January 2016	799,999	672,800	500,000	1,051,872	3,024,671
Profit for the year and total comprehensive income	-	-	-	514,456	514,456
Balance at 31 December 2016	799,999	672,800	500,000	1,566,328	3,539,127

The notes on pages 14 to 25 form an integral part of these financial statements.

GVQ Investment Management Limited

Statement of financial position as at 31 December 2017

	Notes	As at 31 December 2017 £	As at 31 December 2016 £
Non-current assets			
Property, plant and equipment	7	21,071	28,574
Deferred tax asset	10	11,743	9,246
		32,814	37,820
Current assets			
Trade and other receivables	8	1,397,885	1,270,578
Cash and cash equivalents	8	4,435,407	3,915,720
		5,833,292	5,186,298
Total assets		5,866,106	5,224,118
Current liabilities	9	(2,302,617)	(1,684,991)
Net assets		3,563,489	3,539,127
Equity			
Called up share capital	11	799,999	799,999
Share Premium	11	672,800	672,800
Capital contribution reserve		500,000	500,000
Profit and loss reserve	12	1,590,690	1,566,328
Total equity		3,563,489	3,539,127

The financial statements on pages 10 to 25 were approved by the Board of Directors on 26 February 2018 and were signed on its behalf by:



Ben Russell
Director

GVQ Investment Management Limited

Cash flow statement for the year ended 31 December 2017

	Notes	For the year ended 31 December 2017 £	For the year ended 31 December 2016 £
Net cash generated from/(used in) operating activities	14	2,530,213	(127,286)
Investing activities			
Purchase of property, plant and equipment		(4,820)	(1,913)
Net cash used in investing activities		(4,820)	(1,913)
Financing activities			
Dividend paid		(2,000,000)	-
Net cash used in financing activities		(2,000,000)	-
Net increase/(decrease) in cash and cash equivalents		525,393	(129,199)
Cash and cash equivalents at beginning of year		3,915,720	4,054,650
Effect of foreign exchange on cash and cash equivalents		(5,706)	(9,731)
Cash and cash equivalents at end of year		4,435,407	3,915,720

The notes on pages 14 to 25 form an integral part of these financial statements.

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2017

1. Accounting policies

Basis of accounting

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS'), which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ('IASC') that remain in effect, and to the extent that they have been adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006

International Financial Reporting Standards as adopted by the EU differ in certain respects from International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB'). References to International Financial Reporting Standards hereafter should be construed as references to International Financial Reporting Standards as adopted by the EU.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The financial statements have been prepared on a going concern basis, in accordance with the Companies Act 2006 as applicable to companies using IFRS and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The accounting policies have been applied consistently.

Critical accounting estimates and judgements

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the income statement, statement of financial position, other primary statements and notes to the financial statements.

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. The Directors do not consider there to be any critical accounting estimates and judgements in the preparation of these financial statements.

Financial instruments

Financial assets and financial liabilities are made up of accounts receivable, accounts payable and cash and cash equivalents. The Directors consider the fair values of accounts receivable and accounts payable approximate their carrying value. The Directors do not believe that the Company is exposed to significant credit risk, liquidity risk, currency risk or interest rate risk and have not taken any specific actions to mitigate these financial risks. There are no other financial instruments.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

Management fees are calculated as a percentage of the net asset value of the GVQ UK Focus Fund and GVQ Opportunities Fund, and as a percentage of the lower of the market capital and net asset value of Strategic Equity Capital plc. Management fees are invoiced quarterly in arrears.

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Notes to the financial statements for the year ended 31 December 2017

Performance fees accrued by Strategic Equity Capital plc are only recognised once they become payable. GVQ UK Focus Fund and GVQ Opportunities Fund do not pay performance fees.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income is classified within operating activities in the cash flow statement.

Operating Expenses

Costs are recognised on an accruals basis which means they are recorded when the service is performed regardless of when the expense is settled.

Foreign currencies

The functional currency of the Company is pounds sterling. Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in net profit or loss for the period.

Trade and other receivables

Trade and other current receivables are measured at amortised cost. The company reviews the carrying value of its trade and other receivables balances on a regular basis. If the carrying value of a receivable is greater than the recoverable amount, the carrying value is reduced through a charge to the income statement in the year of impairment.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Property, plant and equipment

Fixtures and equipment are stated at cost, including direct acquisition costs, less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life. The rates used for calculation of depreciation are as follows:

Furniture and Fixtures	20%
Office Equipment	33%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

The carrying values of property, plant and equipment are reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable.

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2017

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes. Assets are classified as cash equivalents if they are readily convertible to cash and are not subject to significant changes in value.

Summary of new standards and interpretations not applied

Accounting policies have been consistently applied other than where new policies have been adopted.

The following standards and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2018. The company has decided not to early adopt in the current year financial statements:

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2017

IFRS 9 Financial Instruments – Classification and Measurement
IFRS 15 Revenue from Contracts with Customers

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application for the following reasons.

IFRS 9 Financial Instruments – Classification and Measurements
No material impact is expected as:

- The current assets of GVQIM are accrued investment management fee income, accrued performance fee income and cash. Management fees are accrued daily and invoiced quarterly in arrears. Annual performance fee, if applicable, crystallises on 30 June and are invoiced in arrears. As credit risk is extremely low and fees are paid in good time – there is no requirement to apply impairment under IFRS 9
- GVQIM does not apply hedge accounting

IFRS 15 Revenue from Contracts with Customers
No Material impact is expected as:

- GVQIM has contracts in place with GVQ Investment Funds plc and Strategic Equity Capital plc. The basis of these contracts is to manage the fund portfolios on a daily basis for which GVQIM is entitled to receive management fees and performance fees (for the SEC if applicable) Management fees are accrued on a daily basis and invoiced quarterly in arrears. Annual performance fees crystallise on 30 June and are not accrued until this point. Performance fees are invoiced in arrears.

Other future developments include the International Accounting Standards Board ('IASB') undertaking a comprehensive review of existing IFRSs. The company will consider the financial impact of these standards as they are finalised.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2. Total Revenue

	For the year ended 31 December 2017 £	For the year ended 31 December 2016 £
Income from investment management services	5,234,080	4,606,148
Income from performance fees	1,856,185	-
	7,090,265	4,606,148

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2017

3. Administrative expenses

	For the year ended 31 December 2017 £	For the year ended 31 December 2016 £
Auditors' remuneration for statutory audit	23,270	21,000
Depreciation	12,323	9,269
Staff costs (note 4)	3,609,877	3,220,526
General expenses	936,797	710,414
	4,582,267	3,961,209

4. Staff costs

	For the year ended 31 December 2017 £	For the year ended 31 December 2016 £
Wages and salaries	2,939,867	2,630,250
Social security costs	392,733	354,042
Other pension costs	196,704	167,478
Other staff costs	80,573	68,756
	3,609,877	3,220,526

The Company has a total of 12 employees which were divided into 6 employees performing investment management activities and 6 employees performing support activities (2016: 12 employees – 6 investment management and 6 support). The monthly average number of staff employed by the Company was 12 (2016: 11).

5. Directors' emoluments

The emoluments owing to the Directors of the Company are as follows:

	For the Year ended 31 December 2017 £	For the Year ended 31 December 2016 £
Aggregate remuneration in respect of qualifying services	1,424,486	1,470,426
Aggregate amounts paid into defined contribution pension schemes	58,000	56,000
In respect of the highest paid director:		
Aggregate remuneration	979,740	894,397
Company contributions to defined contribution pension schemes	30,000	30,000

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2017

6. Tax

Analysis of charge in year

Major components of the income tax expense for the years ended 31 December 2017 and 31 December 2016:

	For the year ended 31 December 2017 £	For the year ended 31 December 2016 £
<i>Current tax charge</i>		
Current tax on profits for the year	484,128	129,535
Total current tax	484,128	129,535
<i>Adjustments in respect of prior years</i>	2,231	-
<i>Deferred tax:</i>		
Current year	(524)	1,270
Adjustments in respect of prior years	(1,973)	(154)
Effect of changes in tax rates	-	487
Total deferred tax	(2,497)	1,603
Tax per income statement	483,862	131,138

The tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK for a large company. The differences are explained below:

	For the year ended 31 December 2017 £	For the year ended 31 December 2016 £
Profit / (loss) before tax	2,508,224	645,594
Tax calculated at the UK rate of 19.25% (2016: 20.00%)	482,747	129,119
Effect of:		
Adjustments in respect of prior years	258	(154)
Expenses not deductible	850	1,686
Tax rate changes	7	487
Tax charge for the year	483,862	131,138

GVQ Investment Management Limited

Notes to the financial statements for the year ended 31 December 2017

7. Property, plant and equipment

	Office Equipment	Furniture and Fixtures	Total
	£	£	£
Cost			
At 1 January 2017	5,766	47,925	53,691
Additions	2,937	1,883	4,820
Disposals	-	-	-
At 31 December 2017	8,703	49,808	58,511
Accumulated Depreciation			
At 1 January 2017	2,723	22,394	25,117
Charge for the year	4,288	8,035	12,323
Disposals	-	-	-
At 31 December 2017	7,011	30,429	37,440
Net book value			
At 31 December 2017	1,692	19,379	21,071
At 31 December 2016	3,043	25,531	28,574

8. Current assets

Trade and other receivables	31 December 2017	31 December 2016
	£	£
Prepayments and other debtors	85,439	75,536
Accrued investment management fee income	1,312,446	1,195,042
	1,397,885	1,270,578

Cash and Cash Equivalents	31 December 2017	31 December 2016
	£	£
Cash at Bank	4,435,407	3,915,720

Cash at bank earns interest at floating rates.

9. Current liabilities

Trade and Other payables	31 December 2017	31 December 2016
	£	£
Tax payable	484,128	129,536
Other creditors and accruals	1,818,489	1,555,455
	2,302,617	1,684,991

Tax Payable	For the year ended 31 December 2017 £	For the year ended 31 December 2016 £
Balance brought forward	129,535	59,895
Prior year adjustment	2,231	-
Group relief paid	(131,766)	(59,895)
Corporation tax charged	484,128	129,535
Balance carried forward	484,128	129,535

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10. Deferred tax asset

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19%, reflecting the rate expected to be applicable at the time the net deferred tax asset is realised (2016: 19%). The deferred tax asset relates to non trading losses brought forward to be utilised against future non trade interest receivable.

£1,830 of the deferred tax asset is expected to be recovered or settled no more than 12 months after the reporting period and £9,913 is expected to be recovered or settled more than 12 months after the reporting period.

The movement on deferred tax account is as shown below:

	For the year ended 31 December 2017	For the year ended 31 December 2016
	£	£
Balance brought forward	9,246	10,849
Income statement credit/(debit)	2,497	(1,603)
Adjustments in respect of prior years	-	-
Equity (debit)/credit	-	-
Balance carried forward	11,743	9,246

Deferred tax assets	Accelerated capital allowances	Temporary differences & Tax losses	Total
	£	£	£
Balance at 1 January 2017	(3,236)	12,482	9,246
Charge to income statement	1,163	1,334	2,497
Balance at 31 December 2017	(2,073)	13,816	11,743

11. Called up Share capital and Share Premium

	Ordinary Shares	Ordinary Shares & Share Premium	
		£	£
At 1 January 2017	80,000,001	799,999	672,800
Issue of shares in 2017	-	-	-
At 31 December 2017	80,000,001	799,999	672,800
At 1 January 2016	80,000,001	799,999	672,800
Issue of shares in 2016	-	-	-
At 31 December 2016	80,000,001	799,999	672,800

The par value of ordinary shares is £0.01.

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Notes to the financial statements for the year ended
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12. Profit and loss reserve

	31 December 2017 £	31 December 2016 £
Balance brought forward	1,566,328	1,051,872
Dividend Paid (note 13)	(2,000,000)	-
Profit for the year	2,024,362	514,456
Balance carried forward	1,590,690	1,566,328

13. Dividends

	31 December 2017 £	31 December 2016 £
Equity - ordinary		
Interim Paid: 2.49p (2016: nil) per 1p share	2,000,000	-
	2,000,000	-

14. Reconciliation of profit before tax to net cash inflow/outflow from operating activities

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Profit / profit before tax	2,508,224	645,594
Adjustments for:		
Exchange loss	5,706	9,731
Depreciation of property, plant and equipment	12,323	9,269
Operating cash flows before movements in working capital	2,526,253	664,594
(Increase) in receivables	(127,306)	(102,055)
(Decrease)/Increase in payables	263,032	(629,931)
Cash generated from/(used in) operations	2,661,979	(67,392)
Taxes paid	(131,766)	(59,895)
Net cash generated from/(used in) operating activities	2,503,213	(127,287)

15. Related party transactions

The Company has a lease and service agreement with RIT Capital Partners plc relating to part of 12-13 St. James's Place, London, SW1A 1NX, the Company's registered address. The Company was charged £172,355 by RIT Capital Partners plc for rent, rates and service charge for the year 31 December 2017 (2016: £156,174).

Jamie Seaton is 50% shareholder of GVQIM Holdings Limited. On 16 December 2017, GVQIM Holdings Limited entered into an agreement to acquire the Company from RIT Capital Partners plc, subject to regulatory approval. Regulatory approval was received on 25 January 2018. The deal is expected to be completed in February 2018 - Upon payment of Dividend to RIT Capital Partners plc, and signing of the financial statements.

GVQ Investment Management Limited
Notes to the financial statements for the year ended
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16. Risk and Capital Management Policies

Client risk

The main risk faced by the Company is the potential loss of investment management fee contracts. In certain circumstances, investors may be able to terminate these contracts. This could arise because of poor investment advice, significant errors, negligence, fraud or other matters. These risks are mitigated by implementing a rigorous investment process for approving investment decisions. The potential for significant errors is also reduced by using well established third party administrators to deal with the day-to-day operations of the fund

Financial assets of the Company

The financial assets of the Company are as follows:

	Floating Rate 2017 £	Fixed Rate 2017 £	Non interest Bearing 2017 £	Total 2017 £
Currency denomination of assets as at 31 December 2017:				
Sterling	4,435,407	-	1,397,885	5,833,292

	Floating Rate 2016 £	Fixed Rate 2016 £	Non interest Bearing 2016 £	Total 2016 £
Currency denomination of assets as at 31 December 2016:				
Sterling	3,915,720	-	1,270,578	5,186,298

The financial liabilities of the Company are as follows:

	Floating Rate 2017 £	Fixed Rate 2017 £	Non Interest Bearing 2017 £	Total 2017 £
Currency denomination of liabilities as at 31 December 2017:				
Sterling	-	-	2,302,617	2,302,617

	Floating Rate 2016 £	Fixed Rate 2016 £	Non Interest Bearing 2016 £	Total 2016 £
Currency denomination of liabilities as at 31 December 2016:				
Sterling	-	-	1,684,991	1,684,991

Maturity analysis

Financial assets (maturity)

The analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier the expected date the assets will be realised.

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Notes to the financial statements for the year ended
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Financial liabilities (maturity)

The analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Company can be required to pay.

2017:

	<1 month	1-3 months	3-12 months	1-5 years	>5 years	Total
	£	£	£	£	£	£
Financial assets						
Deferred tax	-	-	-	11,743	-	11,743
Cash and cash equivalents	4,435,407	-	-	-	-	4,435,407
Prepayments and other debtors	10,169	47,521	27,749	-	-	85,439
Accrued investment management fee income	-	1,312,446	-	-	-	1,312,446
	4,445,576	1,359,967	27,749	11,743	-	5,845,035
Financial liabilities						
Other creditors and accruals	(1,757,640)	(537,475)	(7,502)	-	-	(2,302,617)
	(1,757,640)	(537,475)	(7,502)	-	-	(2,302,617)
Available liquidity	2,687,936	822,492	20,247	11,743	-	3,542,418

2016:

	<1 month	1-3 months	3-12 months	1-5 years	>5 years	Total
	£	£	£	£	£	£
Financial assets						
Deferred tax	-	-	-	9,246	-	9,246
Cash and cash equivalents	3,915,720	-	-	-	-	3,915,720
Prepayments and other debtors	2,492	40,736	32,308	-	-	75,536
Accrued investment management fee income	854,059	340,983	-	-	-	1,195,042
	4,772,271	381,719	32,308	9,246	-	5,195,544
Financial liabilities						
Other creditors and accruals	(1,527,435)	(157,556)	-	-	-	(1,684,991)
	(1,527,435)	(157,556)	-	-	-	(1,684,991)
Available liquidity	3,244,836	224,163	32,308	9,246	-	3,510,553

Interest rate risk

Bank deposits are subject to interest rate risk. At 31 December 2017, the Company held cash of £4.4 million (2016: £3.9 million) earning interest at market rates.

If the interest rates on cash deposits had been 200 basis points higher during the year, the profit for the year would have increased by £17,728 (2016: increased by £11,789). If the interest rates on cash deposits had been 200 basis points lower, the profit for the year would have decreased by £5,932 (2016: decreased by £10,386).

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Notes to the financial statements for the year ended 31 December 2017

Credit risk

Accrued investment management fees amounting to £1,312,446 (2016: £1,195,042) and other receivables amounting to £85,439 (2016: £75,536) were exposed to credit risk as at 31 December 2017, although the Directors consider such risk to be negligible.

Currency risk

The Company has some suppliers who invoice in USD but the Directors consider currency risk to be negligible.

Market price risk

The company is exposed to market price risk as management fee income is calculated as a percentage of net asset value of the managed funds.

If market prices had been 10% higher, the profit for the year would have increased by £523,408 (2016: £460,615). If market prices had been 10% lower, the profit for the year would have decreased by £523,408 (2016: £460,615).

Regulatory risk

As an entity regulated by the Financial Conduct Authority ("FCA"), the Company is subject to various regulatory requirements. A risk exists that the Company could fail to satisfy the obligations under the FCA regime. A breach of the Company's regulatory requirements could have adverse financial consequences and could be damaging in terms of the Company's reputation. The Company employs a Compliance Officer in order to mitigate this risk.

Capital Management

The Company's primary objective in relation to management of capital is to ensure its ability to continue as a going concern.

In addition, the company is subject to capital requirements imposed by the FCA and must ensure that there is adequate capital to meet the requirements as set out by the FCA. The company was in compliance with those capital requirements throughout the year.

The Company's capital as at 31 December 2017 and 31 December 2016:

£	2017	2016
Equity Share Capital	799,999	799,999
Retained Earnings and other reserves	2,763,490	2,739,128
Total Capital	3,563,489	3,539,127

17. Ultimate parent undertaking

The Company's ultimate parent undertaking and controlling party is RIT Capital Partners plc, a London listed investment trust. This is the only company into which the Company's results are consolidated. The registered address of RIT Capital Partners plc is 27 St. James's Place, London, SW1A 1NR.

On 16 December 2017, GVQIM Holdings Limited entered into an agreement to acquire the Company from RIT Capital Partners plc, subject to regulatory approval. Regulatory approval was received on 25 January 2018. The deal is expected to complete in February 2018.

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PILLAR 3 DISCLOSURES AS AT 31 DECEMBER 2017 (Unaudited)

1. Background

The EU Capital Requirements Directive ("CRD") created a revised regulatory capital framework across Europe based on the provisions of the Basel II Capital Accord. In the UK, the Financial Conduct Authority ("FCA") is responsible for the implementation of the requirements in the Directive and the details are covered in the FCA Handbook.

The Basel II capital adequacy framework consists of three "pillars":

- Pillar 1 sets out the minimum capital requirements that firms are required to meet for credit, market and operational risk;
- Pillar 2 requires firms, and the FCA, to take a view on whether additional capital should be held against capital risks not covered by Pillar 1; and
- Pillar 3 requires firms to publish certain details of their capital, risks and risk management process.

BIPRU 11 Disclosure (Pillar 3) requires that a firm subject to the provisions of the Directive must disclose the relevant information required under this rule unless the information is believed to be immaterial, proprietary or confidential.

The disclosures in this document are made in respect of GVQ Investment Management Limited ("GVQIM") in accordance with the BIPRU 11 rules, to set out the key risks facing GVQIM, how it manages those risks, and how it has satisfied itself that it has sufficient capital in respect of those risks.

GVQIM has the permission to provide advisory, arranging and investment management services, including managing an unauthorised Alternative Investment Fund ("AIF"). As a consequence the main risks facing GVQIM relate to its operations and its business environment. Whilst GVQIM does have some exposure to credit and market risk, this is not considered to be material.

Although the Senior Management of GVQIM believes that the risk management framework outlined herein is appropriate for its size and complexity and that its capital is adequate to meet the risks assessed, it cannot guarantee that this will actually be the case in the event any particular risk arises. There will always be some unlikely risks with unusually high impact which may require additional capital should they arise.

2. Capital resources

GVQIM maintains sufficient capital to meet its regulatory requirements and takes a prudent approach to the management of its capital base. The amount and type of capital resources of GVQIM, at 31 December 2017 is set out in the table below:

Capital	£000
Tier 1 Capital	3,539
Total Capital	3,539

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GVQIM is authorised by the FCA as a Full-scope UK Alternative Investment Fund Manager and is categorised by the FCA for prudential regulatory purposes both as a Collective Portfolio Management Investment firm ("CPMI firm") and a BIPRU firm.

In addition to meeting BIPRU 11 requirements resulting from its MiFID activities, as a CPMI firm, GVQIM is also required to hold capital in excess of the following in order for it to meet capital requirements arising from its AIFMD activities:

The higher of:

Funds under management requirement

- which is calculated as capital resource requirement for managing Alternative Investment Fund/(s) ("AIF/(s)") of €125,000 plus 0.02% of funds under management in excess of €250 million (where funds under management is calculated as the sum of all AIFs managed by GVQIM) and;

Fixed overheads requirement

- which is calculated as 25% of GVQIM's annual fixed overheads plus;

Professional negligence capital requirement which is calculated as 0.01% of AIFs funds under management.

Capital resources requirements of GVQIM, at 31 December 2017, as a Full Scope AIFM are set out in the table below:

Capital	£000
a. Higher of:	
i. Funds under management requirement	111
ii. Fixed overheads requirement plus;	634
b. Professional negligence capital requirement	19
Total capital requirement as a Full Scope AIFM	653
GVQIM excess over requirement	2,886

GVQIM's capital requirement for its MiFID activities amounts to the highest of the three components below:

- Pillar 1 capital requirement, which is calculated as prescribed in the FCA rulebook
- Pillar 2 capital requirement, which is based on GVQIM's own assessment of adequate capital required to mitigate key risks identified
- Wind-down capital, being the resources required to perform an orderly wind down of the business

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PILLAR 3 DISCLOSURES AS AT 31 DECEMBER 2017 (Unaudited)

2.1 Pillar 1 capital requirement

As a BIPRU Limited License €50K firm, GVQIM's Pillar 1 capital resources requirement is determined at 31 December 2016 as being the highest of:

- Base capital requirement of €50K
- Fixed Overhead Requirement; and
- the sum of Credit and Market Risk Requirements

Risk	£000
Credit Risk	185
Market Risk	-
Fixed Overhead Requirement	634

GVQIM's Pillar 1 capital as at 31 December 2017 is therefore determined as the Fixed Overhead Requirement of £634K.

As a Limited License firm, the Pillar 1 capital requirements for GVQIM do not include an operational risk capital component. This is considered as part of the Pillar 2 capital requirement.

GVQIM's Pillar 1 capital requirement is calculated in accordance with the General Prudential Sourcebook ("GENPRU") as the higher of the Fixed Overheads Requirement ("FOR"), the aggregate of market and credit risk requirements, or the base capital requirement of €50K. GVQIM's credit risk is calculated as per the "Standardised Approach (BIPRU 3.4)" and market risk in line with BIRU 7.5. As at 31 December 2017 the Firm's Pillar 1 requirement was £634K.

2.2 Pillar 2 capital requirement

The Pillar 2 capital assessment consists of identifying key risks to which GVQIM is exposed, assessing the probability of those risks occurring and quantifying the potential impacts of those risks to provide a Pillar 2 capital assessment.

The specific process involved the following:

- Identifying key risks per the Risk Register;
- Determining what specific risks are to be considered for the purposes of the Internal Capital Adequacy Assessment Process ("ICAAP");
- Analysing the potential impact on GVQIM if a key risk were to materialise and any management action that would be taken;

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PILLAR 3 DISCLOSURES AS AT 31 DECEMBER 2017 (Unaudited)

- Determining whether the key risk could result in the erosion of GVQIM's capital base and if an amount of capital is required to cover it; and
- Summing up the capital required for each risk to give the Pillar 2 capital requirement

The key risks facing GVQIM are set out below.

The following specific risk scenarios were considered as part of the ICAAP:

Investment Risks:

- Investment Performance risk – failure to deliver expected level of fund performance; and
- Breach of investment restrictions

Business Risks:

- Regulatory, legal or tax changes and their impact on the business;
- Failure to manage growth;
- Emerging Risk due to a major market event;
- Loss of key clients; and
- Reputational risk and losses arising from GVQIM's actions

Operational Risks:

- Loss of key personnel – failure to recruit or retain key staff, the loss of a key portfolio manager and the lack of succession planning leading to a fall in AuM and a fall in fee income;
- Breach of regulations or ethics – the breach of regulations leading to material fines payable to the FCA, breaches to the Market Abuse Regulations, including insider trading in connection with investment activities;
- Fraud/ theft – major fraud and other financial crime;
- Failure of a key third party or outsourced service provider;
- Incorrect valuation of a fund; and
- Losses from inadequate or failed internal processes – including incorrect reporting to clients, data governance and trading errors

Financial Risks:

- Liquidity risk – failure of a fund or GVQIM to meet payment obligations;
- Loss of profitability due to FX exposures; and
- Losses arising from insufficient insurance coverage

GVQ Investment Management Limited

PILLAR 3 DISCLOSURES AS AT 31 DECEMBER 2017 (Unaudited)

2.3 Wind-down capital requirement

An exercise was also performed to determine the cost of an orderly wind-down of the business.

2.4 Summary

As at 31 December 2017, GVQIM held £3,539K Tier 1 Capital. All Capital held by GVQIM is Tier 1. The Tier 1 Capital is made up of Permanent Share Capital and Reserves.

The Capital Requirement under Pillar 1 (fixed overhead requirement) for GVQIM for the year ending 31 December 2017 is calculated as £634K, which is one quarter of the GVQIM's relevant fixed expenditure. The Capital Requirement as a full scope AIFM as at 31 December 2017 is £653K.

GVQIM's Tier 1 capital materially exceeds GVQIM's Pillar 1 capital requirement.

Under Pillar 2 of the FCA's Capital Requirement, as at 31 December 2017, GVQIM has undertaken an assessment of the adequacy of capital, based upon all of the risks to which the business is exposed ("ICAAP"), including appropriate stress tests and scenario analysis to assist in determining if any additional capital is required under Pillar 2. No additional capital is currently required under Pillar 2 and GVQIM is sufficiently capitalised in respect of both the EU/FCA rules and GVQIM's own risk assessment.

The Firm takes a prudent approach to the management of its capital base and monitors its expenditure on a monthly basis in order to take account of any material fluctuations which may require its relevant capital resources requirement to be reassessed. The Firm ensures that at all times it has sufficient capital to meet its relevant capital resources requirement and formally verifies this on a quarterly basis.

3. Risk management

3.1 Framework Purpose

GVQIM operates a risk management framework that sets out the responsibilities and escalation procedures for the identification, monitoring, and management of operational and business risks. Capital planning takes these identified risks into account.

Specific personnel are assigned responsibility for the risks across GVQIM. The Firm's Chief Executive takes overall responsibility, with the assistance of all the other Directors for identifying material risks to the Firm and putting appropriate mitigating controls in place.

Risks and mitigating controls are periodically reassessed, taking into account the GVQIM's risk appetite. Where risks are identified which fall outside of the GVQIM's risk tolerance levels, or where the need for remedial action is identified in respect of identified weaknesses in the Firm's mitigating controls, then actions are taken to improve the control framework.

The Directors meet periodically to review the quality of the control framework and to satisfy itself that appropriate controls are in place and that mitigating actions are moving forward.

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PILLAR 3 DISCLOSURES AS AT 31 DECEMBER 2017 (Unaudited)

3.2 Key Risks

The main risks faced by GVQIM are:

Investment Risks

- **Investment performance risk**, which is the risk that funds fail to deliver the expected level of performance. This may result in client redemptions or the removal of the mandate itself, with a consequential reduction in fees earned. This is one of the principal risks faced by GVQIM, and therefore considerable resources are devoted to the mitigation of this risk. All funds operate under clear mandates governed by detailed guidelines monitored by the Compliance and Operations Departments. Pre-trade and post-trade checks monitor compliance with investment restrictions. All funds are valued daily, which enhances transparency of risk positions. Periodic performance reports serve to highlight any issues with fund performance to senior management, and regular performance attribution analyses provide insight into the drivers of profits and losses.

Business Risks

- **Business strategy risk** is the risk that management will pursue inappropriate strategies or fail to implement the strategy ineffectively. This includes the strategies around new products, new infrastructure and the sustaining of the firm's culture and control environment during periods of growth. Clearly defined accountability, reporting lines, committee structures and governance allow the Board to receive appropriate management information on which to base their strategies and monitor implementation. Whilst GVQIM engages in new initiatives that carry the risk of failure the financial loss associated with such initiatives is typically limited to the set up costs from new fund launches. GVQIM restricts itself to new business strategies within its core area of expertise.
- **Regulatory risk** is the risk that the GVQIM's profitability may be negatively impacted by regulatory changes. GVQIM accepts the demands of this risk and maintains an open and constructive dialogue with the FCA as well as other regulatory agencies to gain insight into potential regulatory developments.
- **Emerging risk** covers risks that are currently remote and poorly understood but likely to grow greatly in significance. GVQIM accepts that it is exposed to changing industry trends and potential dislocations of the markets it is operating in. GVQIM relies on the knowledge and experience of its Directors and senior managers to manage these risks.
- **Reputational risk** is likely to arise as a result of a failure to manage other risks in line with the stated risk appetite. This is one of the principal risks for an asset management business, and GVQIM recognises that effective risk management and strong internal controls are central to the business model.

Operational Risks

- **Risk of loss from inadequate or failed internal processes, errors or security breaches.** GVQIM seeks to avoid risks from operational processes and technology through the continued development of a robust infrastructure and adherence to documented processes and controls. The effectiveness of internal controls is reviewed by the Chief Operating Officer, who is also the Compliance Officer.
- **Employee retention.** The loss of a member of the senior management or a key investment or distribution professional could have a material adverse impact on retention and revenues. GVQIM

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seeks to minimise the risk of losing key employees through competitive remuneration packages and maintaining an attractive working environment. In order to minimise the impact of people risk GVQIM maintains a succession plan and promotes shared responsibilities for key functions.

- **Breach of regulatory rules.** GVQIM manages this risk through a rigorous programme of training and monitoring. There are a number of key policies in place covering the market abuse regulations, conflicts of interest, anti-bribery etc. and all staff are required to complete training on these. The Compliance department then conducts a risk based monitoring programme against these policies to ensure that they are adhered to.
- **Fraud** or the risk of loss from financial crime. GVQIM seeks to minimise the opportunity for fraud and financial crime through rigorous enforcement of segregation of duties and due process. In addition, GVQIM promotes staff awareness through regular training with regards to relevant policies and regulations.
- **Outsourcing risk**, which is the risk of loss or reputational damage as a result of service failure on the part of an outsourced service provider. Whilst GVQIM does outsource certain key processes, it actively seeks to avoid outsourcing risk through a rigorous selection process of service providers, ongoing due diligence and the application of recovery plans in the instance of failure, including the ability to replicate certain processes in house.
- **Cyber Crime.** This is an increasingly challenging area due to the rapid changes in technology and sophistication of cyber criminals. GVQIM manages this risk with a structured Information Security Policy and Procedures.

Financial Risks

- **Liquidity risk**, which is the risk that GVQIM may be unable to meet its payment obligations as they fall due. Liquidity risk is mitigated by the fact that GVQIM has no debt, maintains cash levels in excess of regulatory capital requirements and its main cost items are identified and planned for in the annual budget process.
- **Counterparty credit risk**, which is primarily the risk of a potential loss of cash reserves due to bank failure. To mitigate this risk, GVQIM maintains its banking relationships with AAA rated credit institutions.
- **Market risk**, which is primarily the risk that the value of fees generated from foreign currency fund products, may decline in sterling terms due to fluctuations in the exchange rate. The fees earned by GVQIM are currently denominated in GBP and the majority of expenditure is incurred in GBP, therefore this is considered to be a negligible risk.

4. Ongoing review

The Pillar 3 disclosures will be reviewed in conjunction with the ICAAP report. The Board has granted the Finance Director, responsibility for the approval of the Pillar 3 disclosures and ICAAP Report. The ICAAP report and disclosures will be formally presented to the Board and reviewed as part of the business planning cycle on an annual basis, unless the Board is made aware of a major event before then requiring a complete review of GVQIM's risks and capital position.

GVQIM has not and is not required to have its Pillar 3 disclosures audited by the external auditors.

GVQ Investment Management Limited

PILLAR 3 DISCLOSURES AS AT 31 DECEMBER 2017 (Unaudited)

5. Remuneration Code Statement

Disclosure on the quantitative information with respect to fixed and variable remuneration paid to Remuneration Code Staff is made elsewhere in this set of annual audited financial statements.

GVQ Investment Management Limited

REMUNERATION CODE STATEMENT As at 31 December 2017 (Unaudited)

Remuneration Code

GVQ Investment Management Limited ("GVQIM") provides investment management services under the Markets in Financial Instruments Directive ("MiFID"). GVQIM became a full scope Alternative Investment Fund Manager ("AIFM") on 22 July 2014 and continues to conduct MiFID Activity.

GVQIM's Remuneration Policy (the "Policy") follows the requirements of the FCA Handbook SYSC 19B in relation to AIFM business and SYSC 19C in relation to MiFID activity. SYSC 19B also applies to a BIPRU firm which is a full-scope UK AIFM, that is an AIFM investment firm subject to BIPRU. As GVQIM complies with SYSC 19B, and in accordance with SYSC 19C.1.1A (G), it will also comply with SYSC 19C. Accordingly, GVQIM is not required to demonstrate compliance with SYSC 19C.

AIFM Identified Staff means;

All Employees of GVQIM which are;

- (1) Holders of Significant Influence Functions (i.e. CF1 to 29 inclusive) ('Senior Management'); or
- (2) Any other Employees, who are not otherwise Senior Management, who are responsible for Portfolio Management, Risk Management, Compliance, Financial Management and Internal Audit ('AIF Controlled Functions'); or
- (3) Any other Employees receiving total Remuneration, that takes them into the same Remuneration bracket as Senior Management and those performing AIF Controlled Functions, and whose professional activities have a material impact on the risk profile of AIFMs or on the AIF the AIFM manages ('Other Risk Takers').

Decision Making Body and Process

GVQIM maintains a Remuneration Committee and all remuneration decisions are ratified by the GVQIM Board, the Firm's governing body. Salaries are benchmarked against industry practice.

Link between pay and performance

GVQIM's compensation arrangements are designed to keep key investment professionals' interests aligned with those of investors, encourage long term planning and minimise staff turnover. Remuneration of GVQIM's employees comprises a basic salary and an annual discretionary bonus. The discretionary bonus process and the amount of any discretionary bonus payment to a GVQIM employee is based on the performance of the funds managed by GVQIM, which will be benchmarked against industry indices and such other conditions, including, without limitation, specific performance targets, as GVQIM may at its absolute discretion determine from time to time. Risk is considered when setting goals and is also considered by the GVQIM Remuneration Committee when making decisions on individual remuneration and policy in general.

Remuneration Code staff and Remuneration Data:-

GVQIM's board has identified 10 persons as 'AIFM Identified Staff', being persons holding significant influence roles, the investment team and other senior managers whose actions could have a material impact on the risk profile of GVQIM. In the year to 31 December 2017, total aggregate remuneration for GVQIM AIFM Identified Staff was £2,473,557 (2016 - £2,399,400) of which, £1,164,807 (2016 - £1,240,900) was fixed, and £1,308,750 (2016 - £1,158,500) was variable remuneration.