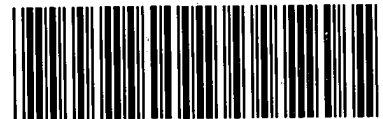


Company Registration No. 06850198 (England and Wales)

**LOFOTEN ASSET MANAGEMENT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

FRIDAY



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COMPANIES HOUSE

LOFOTEN ASSET MANAGEMENT LIMITED

COMPANY INFORMATION

Directors Willem P Vinke
Hugh S K Knowles

Secretary Mr H S K Knowles

Company number 06850198

Registered office Claridge House
32 Davies Street
London
W1K 4ND

Auditor Gerald Edelman
73 Cornhill
London
EC3V 3QQ

LOFOTEN ASSET MANAGEMENT LIMITED

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LOFOTEN ASSET MANAGEMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors present the strategic report for the year ended 30 September 2018.

Fair review of the business

Turnover has decreased by £494,462 (2017: decreased by 7,396,473) which represents a decrease of 9.8% (2017: 59.6% decrease over 2016). Profit before tax for the financial year 2018 decreased by £1,636,078 or 46% (2017: decreased by 67.7%) as a result of decreased revenue and increased costs caused by the implementation of MiFID II, specifically the changes to research charges, and investment in the Lofoten team and IT.

Principal risks and uncertainties

The principal risks and uncertainties affecting the business relate to the performance of the underlying funds managed by the company. The company is not exposed to any significant credit, liquidity, foreign exchange or cash flow risk.

Key performance indicators

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

On behalf of the board



Hugh S K Knowles

Director

20 December 2018

LOFOTEN ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

Pillar III risk disclosure

Details of the company's Pillar III disclosures, required under Chapter 11 of the Financial Conduct Authority's Prudential Sourcebook for Bank, Building Societies and Investment Firms ("BIPRU") are available as Appendix 1 to these financial statements. These disclosures are unaudited. The directors have also performed capital requirement assessments on projected costs and note that the audited capital and reserves of the company are maintained at more than four times the Fixed Overhead Requirement and over twice the wind down analysis (total Pillar II capital).

Remuneration code disclosures

The Remuneration code disclosures of the company as required by the FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) 11.5.18 and SYSC 19A - disclosure obligations in relation to the remuneration of code staff, are available as Appendix 2 to these financial statements. These disclosures are unaudited.

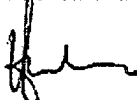
UK Stewardship code disclosures

The UK Stewardship code disclosures of the company, as required by the FCA Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) COBS 2.2.3 - disclosure of commitments to the Financial Reporting Council's Stewardship Code, are available on the company's website at www.lofotenam.com. These disclosures are unaudited.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

On behalf of the board



Hugh S K Knowles

Director

20 December 2018

LOFOTEN ASSET MANAGEMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2018

The directors present their annual report and financial statements for the year ended 30 September 2018.

Principal activities

The principal activity of the company continued to be that of providing investment management and advisory services. The directors do not anticipate any change in the nature of this activity going forward.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Willem P Vinke
Hugh S K Knowles

Results and dividends

The results for the year are set out on page 6.

During the year, interim dividends totalling £600,000 (2017: £1,500,000) were declared and paid.

The directors declared the payment of final dividends totalling £400,000 (2017: £1,350,000) which remain unpaid at the year end and are included as a liability in these financial statements.

Auditor

The auditor, Gerald Edelman, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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). 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

LOFOTEN ASSET MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LOFOTEN ASSET MANAGEMENT LIMITED

Opinion

We have audited the financial statements of Lofoten Asset Management Limited (the 'company') for the year ended 30 September 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- 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; and
 - the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.
-

LOFOTEN ASSET MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LOFOTEN ASSET MANAGEMENT LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

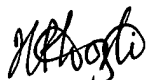
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Hemen Doshi FCCA (Senior Statutory Auditor)
for and on behalf of Gerald Edelman

20 December 2018

Chartered Accountants
Statutory Auditor

73 Cornhill
London
EC3V 3QQ

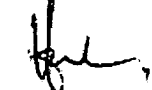
LOFOTEN ASSET MANAGEMENT LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	12	79,302		92,125	
Investments	13	400,000		-	
		479,302		92,125	
Current assets					
Debtors	16	1,035,417		1,486,265	
Cash at bank and in hand		1,759,979		1,251,941	
		2,795,396		2,738,206	
Creditors: amounts falling due within one year	17	(1,724,614)		(1,828,736)	
Net current assets		1,070,782		909,470	
Total assets less current liabilities		1,550,084		1,001,595	
Capital and reserves					
Called up share capital	20	10,100		10,100	
Profit and loss reserves		1,539,984		991,495	
Total equity		1,550,084		1,001,595	

The financial statements were approved by the board of directors and authorised for issue on 20 December 2018 and are signed on its behalf by:



Hugh S K Knowles
Director

Company Registration No. 06850198

LOFOTEN ASSET MANAGEMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	4,527,071	5,021,533
Cost of sales		(383,734)	(401,224)
Gross profit		4,163,337	4,620,309
Administrative expenses		(2,289,288)	(1,096,711)
Other operating income		39,943	12,629
Operating profit	4	1,913,992	3,536,227
Interest receivable and similar income	9	5,041	20,000
Interest payable and similar expenses	10	(1)	(1,117)
Profit before taxation		1,919,032	3,555,110
Tax on profit	8	(370,543)	(707,994)
Profit for the financial year		1,548,489	2,847,116

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

LOFOTEN ASSET MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 October 2016		10,100	994,379	1,004,479
Year ended 30 September 2017:				
Profit and total comprehensive income for the year		-	2,847,116	2,847,116
Dividends	11	-	(2,850,000)	(2,850,000)
Balance at 30 September 2017		10,100	991,495	1,001,595
Year ended 30 September 2018:				
Profit and total comprehensive income for the year		-	1,548,489	1,548,489
Dividends	11	-	(1,000,000)	(1,000,000)
Balance at 30 September 2018		10,100	1,539,984	1,550,084

LOFOTEN ASSET MANAGEMENT LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from operations	25	3,472,758		2,506,424	
Interest paid		(1)		(1,117)	
Income taxes paid		(566,719)		(1,748,488)	
Net cash inflow from operating activities		2,906,038		756,819	
Investing activities					
Purchase of tangible fixed assets		(14,020)		(88,100)	
Proceeds from other investments and loans		(428,366)		-	
Interest received		5,041		-	
Net cash used in investing activities		(437,345)		(88,100)	
Financing activities					
Repayment of bank loans		(798)		-	
Dividends paid		(1,949,874)		(2,565,000)	
Net cash used in financing activities		(1,950,672)		(2,565,000)	
Net increase/(decrease) in cash and cash equivalents		518,021		(1,896,281)	
Cash and cash equivalents at beginning of year		1,251,941		3,143,906	
Effect of foreign exchange rates		(9,983)		4,316	
Cash and cash equivalents at end of year		1,759,979		1,251,941	

LOFOTEN ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies

Company information

Lofoten Asset Management Limited is a private company limited by shares incorporated in England and Wales. The registered office is Claridge House, 32 Davies Street, London, W1K 4ND.

1.1 Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

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

The company has taken advantage of the exemption under section 405 (2) of the Companies Act 2006 not to prepare consolidated accounts, on the basis that it is not material for the purpose of giving a true and fair view. The financial statements present information about the company as an individual entity and not about its group.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover, stated net of value added tax represents investment, management and advisory fees, recognised on an accrual basis, and performance fees recognised when the fees crystallise. All turnover in the year arose from continuing activities performed in the United Kingdom.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over the term of the lease
Artwork	4 years straight line
Fixtures, fittings & equipment	4 years straight line
Computer equipment	3 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is indication of a significant change since the last reporting date.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

LOFOTEN ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies

(Continued)

1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those 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 (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the is increased to the revised estimate of its recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.8 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

LOFOTEN ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

LOFOTEN ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies

(Continued)

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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 profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

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

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

LOFOTEN ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

1 Accounting policies

(Continued)

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1.16 Cost of sales

Cost of sales, which is stated net of value added tax, represents rebates arising on management and performance fees payable during the year. Management fee rebates payable are recognised on an accruals basis and performance fee rebates payable are accrued when the underlying income crystallises. All cost of sales in the year arose from continuing activities performed in the United Kingdom.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors have not been required to use a significant degree of judgement in determining the timing and value of amounts recognised in the financial statements.

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

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018	2017
	£	£
Turnover analysed by class of business		
Management fees	4,383,673	4,961,194
Performance fees	143,398	60,339
	<u>4,527,071</u>	<u>5,021,533</u>

Turnover is derived from management and performance fees earned on funds under management during the year. The company's turnover has been derived from its principal activity which is wholly undertaken in the United Kingdom.

LOFOTEN ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

4 Operating profit

	2018	2017
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	9,983	(4,315)
Research and development costs	237,288	-
Depreciation of owned tangible fixed assets	26,843	14,800
(Profit)/loss on disposal of tangible fixed assets	-	4,609
Operating lease charges	120,180	175,153

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £9,983 (2017 - £4,315).

5 Auditor's remuneration

	2018	2017
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	8,500	8,250
For other services		
Taxation compliance services	800	755
All other non-audit services	2,600	-
	3,400	755

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018 Number	2017 Number
Investment activities	6	5

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	1,152,995	476,626
Social security costs	148,986	57,162
Pension costs	6,141	3,300
	1,308,122	537,088

LOFOTEN ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	140,000	109,073
Company pension contributions to defined contribution schemes	1,125	638
	<u>141,125</u>	<u>109,711</u>

8 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	374,017	702,447
Adjustments in respect of prior periods	(3,474)	5,547
	<u>370,543</u>	<u>707,994</u>
Total current tax	<u>370,543</u>	<u>707,994</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
Profit before taxation	<u>1,919,032</u>	<u>3,555,110</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.50%)	364,616	693,247
Tax effect of expenses that are not deductible in determining taxable profit	4,085	10,793
Tax effect of income not taxable in determining taxable profit	958	-
Adjustments in respect of prior years	(3,474)	5,547
Permanent capital allowances in excess of depreciation	3,908	(1,544)
Effect of overseas tax rates	450	-
Other tax adjustments	-	(49)
	<u>370,543</u>	<u>707,994</u>
Taxation charge for the year	<u>370,543</u>	<u>707,994</u>

9 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Other interest income	<u>5,041</u>	<u>20,000</u>

LOFOTEN ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

10 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	1	1,117

11 Dividends

	2018 Per share £	2017 Per share £	2018 Total £	2017 Total £
Class A Ordinary shares				
Final paid	78.43	-	400,000	-
Interim paid	117.65	149.00	600,000	755,000
	<u>196.08</u>	<u>149.00</u>	<u>1,000,000</u>	<u>755,000</u>
Class B Ordinary shares				
Final paid	-	270.00	-	1,350,000
Interim paid	-	149.00	-	745,000
	<u>-</u>	<u>419.00</u>	<u>-</u>	<u>2,095,000</u>
Total dividends				
Final paid			400,000	1,350,000
Interim paid			600,000	1,500,000
			<u>1,000,000</u>	<u>2,850,000</u>

The proposed final dividend for the year ended 30 September 2018 is:

	2018 Per share £	2018 Total £	2017 Total £
Class A Ordinary shares	78.43	400,000	-
Class B Ordinary shares	270.00	-	1,350,000

The proposed final dividend has been approved by shareholders and has been included as a liability in these financial statements.

LOFOTEN ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

12 Tangible fixed assets

	Leasehold improvements	Artwork	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 October 2017	67,386	7,451	22,828	25,885	123,550
Additions	3,546	4,200	1,339	4,935	14,020
At 30 September 2018	70,932	11,651	24,167	30,820	137,570
Depreciation and impairment					
At 1 October 2017	11,643	2,592	2,887	14,303	31,425
Depreciation charged in the year	12,705	2,388	5,792	5,958	26,843
At 30 September 2018	24,348	4,980	8,679	20,261	58,268
Carrying amount					
At 30 September 2018	46,584	6,671	15,488	10,559	79,302
At 30 September 2017	55,743	4,859	19,941	11,582	92,125

13 Fixed asset investments

	2018 £	2017 £
Unlisted investments	400,000	-

Movements in fixed asset investments

	Investments other than loans £
Cost or valuation	
At 1 October 2017	-
Additions	400,000
At 30 September 2018	400,000
Carrying amount	
At 30 September 2018	400,000
At 30 September 2017	-

LOFOTEN ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

14 Subsidiaries

Details of the company's subsidiaries at 30 September 2018 are as follows:

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Lofoten Asset Management 1 LLC		General Partner to the Lofoten Atlantic Equity Fund LP	Ordinary	100.00	

Registered Office addresses:

1 850 New Burton Road, Suit 201, Dover, Delaware, 19904, United States

15 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	896,416	1,370,685
Instruments measured at fair value through profit or loss	400,000	-
	<u>1,296,416</u>	<u>1,370,685</u>
Carrying amount of financial liabilities		
Measured at amortised cost	1,547,421	1,454,867
	<u>1,547,421</u>	<u>1,454,867</u>

16 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	155,955	-
Other debtors	432,588	375,348
Prepayments and accrued income	413,956	621,944
	<u>1,002,499</u>	<u>997,292</u>
Amounts falling due after more than one year:		
Other debtors	32,918	488,973
	<u>32,918</u>	<u>488,973</u>
Total debtors	<u>1,035,417</u>	<u>1,486,265</u>

LOFOTEN ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

17 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Bank overdrafts	18	-	798
Trade creditors		174,017	53,114
Corporation tax		164,859	361,035
Other taxation and social security		12,334	9,720
Dividends payable		400,126	1,350,000
Other creditors		298,283	11,638
Accruals and deferred income		674,995	42,431
		<u>1,724,614</u>	<u>1,828,736</u>

18 Loans and overdrafts

	2018 £	2017 £
Bank overdrafts	-	798
	<u>-</u>	<u>798</u>

19 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	6,141	3,300
	<u>6,141</u>	<u>3,300</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

20 Share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
5,100 Class A Ordinary shares of £1 each	5,100	5,100
5,000 Class B Ordinary shares of £1 each	5,000	5,000
	<u>10,100</u>	<u>10,100</u>

The class A and B shares rank pari passu apart from no voting rights being attached to the class B shares.

LOFOTEN ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

21 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Within one year	131,670	120,698
Between two and five years	87,780	219,450
	<u>219,450</u>	<u>340,148</u>

Lessor

At the reporting end date the company had contracted with tenants for the following minimum lease rentals receivable under non-cancellable operating leases:

	2018 £	2017 £
Within one year	<u>9,472</u>	<u>25,258</u>

22 Related party transactions

During the year interest of £5,401 (2017: £20,000) of interest was charged to the statement of comprehensive income in regards to Walnut Tree Self Storage Limited, a company that Willem P Vinke has a controlling interest. At 30 September 2018 the amount due from Walnut Tree Self Storage Limited was £nil (2017: £456,055)

There are no key management personnel other than the directors and their remuneration is disclosed in note 7.

23 Directors' transactions

Dividends totalling £600,000 (2017: £1,500,000) were paid in the year in respect of shares held by the company's directors.

During the year, advances totalling £828,366 (2017: £1,219,231) were made to Willem P Vinke, a director of the company. At the year end, a balance of £385,213 (2017: £356,847) is included within debtors as due from the director. There are no terms of interest or repayment in regard to this balance.

24 Controlling party

The company is controlled by its director, Willem P Vinke, who is the majority shareholder.

LOFOTEN ASSET MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2018

25 Cash generated from operations

	2018	2017
	£	£
Profit for the year after tax	1,548,489	2,847,116
Adjustments for:		
Taxation charged	370,543	707,994
Finance costs	1	1,117
Investment income	(5,041)	(20,000)
(Gain)/loss on disposal of tangible fixed assets	-	4,609
Depreciation and impairment of tangible fixed assets	26,843	14,800
Foreign exchange gains on cash equivalents	9,983	(4,316)
Movements in working capital:		
Decrease/(increase) in debtors	508,087	(868,434)
Increase/(decrease) in creditors	1,013,853	(176,462)
Cash generated from operations	3,472,758	2,508,424

LOFOTEN ASSET MANAGEMENT LIMITED

APPENDIX 1 UNAUDITED PILLAR III RISK DISCLOSURE

Pillar III Disclosure — Scope and application of the requirements

The company is governed by its directors ('the Board') who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the company's governance arrangements along with designing and implementing a risk management framework that recognises and manages the risks that the business faces. The Board meet on a regular basis and discuss profitability, cash flow, regulatory capital management, and business planning and risk management. The Board manages the Company's risks through a framework of policies and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework.

The Board have identified that reputational, operational, market and credit risks are the areas of risk to which the company may be exposed. Annually the Board formally review the risks, controls and other risk mitigation arrangements and assesses their effectiveness. Where the Board identify material risks they consider the financial impact of these risks as part of business planning and capital management and concludes whether the amount of regulatory capital is adequate. The general objective is to develop systems and controls to mitigate risk to a level that does not require the allocation of Pillar 2 capital.

The company is authorised and regulated by the Financial Conduct Authority and as such it is subject to minimum regulatory capital requirements. The company is small with a simple operational infrastructure. The company provides investment management services and the risks to which the company is exposed are principally reputational and operational in nature and are managed according to the company's operational and compliance risk guidelines including its ethical standards. The company is a BIPRU €125k limited licence firm registered with the FCA (FRN No 501341) and lodges its financial statements with Companies House.

Pillar III — Disclosure of capital resources and capital resource

The capital resources of the company are made up of equity shareholder's funds, which qualifies as Tier 1 capital.

As the company is a limited licence firm, its capital requirements are the greater of:

- Its base capital requirement of €125k under FCA rules
- The sum of its market and credit risk requirements
- Its Fixed Overhead Requirement ("FOR")

It is the Company's experience that the capital requirement of the Company is the sum of market and credit risk as opposed to the Fixed Overhead Requirements.

As at 30 September 2018 the company had £1,550,084 of capital with a fixed overhead requirement of £323,000 and therefore the company has substantial excess resources over its regulatory capital requirements. The Firm determined that it required an additional £252,000 Pillar II capital requirement and therefore had an ICAAP capital requirement of £575,000 resulting in a £975,084 surplus.

Pillar III / Disclosure of compliance with the overall Pillar II rule

Under Pillar II of the Capital Requirements Directive, the company is required to enact an Internal Capital Adequacy Assessment Process ("ICAAP"). This is an ongoing process. The ICAAP document is presented to the Board for formal review and approval. The data and assumptions used in the assessment of risk and capital adequacy are continually assessed and updated. This includes stress testing of various scenarios. Should new risks materialise or be identified by the company, then these risks will be incorporated into the overall review process.

LOFOTEN ASSET MANAGEMENT LIMITED

APPENDIX 2 UNAUDITED REMUNERATION CODE DISCLOSURE

Scope and application of the requirements

BIPRU 11.5 sets out the disclosure requirements in relation to the remuneration of code staff which all FCA regulated firms are required to comply. Lofoten Asset Management Limited ("the Firm") is a Level 3 firm and the following disclosures are intended to fully satisfy the requirements of the remuneration code ("the Code").

Disclosure of compliance with Remuneration code

The Firm has in place internal policies, practices and procedures consistent with the FCA's rules and regulations for Level 3 firms. The Board of Directors form the remuneration committee and fully acknowledge their responsibilities under the Code including their overriding responsibility to ensure that the firm's remuneration policies, practices and procedures:

- are in line with the business strategy, objectives and long-term interests and values of the firm;
- are consistent with and promote sound and effective risk management and do not encourage risk taking that exceeds the level of tolerated risk of the firm;
- are appropriate to attract, motivate and retain suitable staff;
- are representative of the underlying performance of the business and do not reward individuals for poor performance; and
- include measures to avoid conflicts of interest.

The following disclosures have been made in accordance with the FCA rules and regulations as outlined under BIPRU 11.5.18 and SYSC 19A, specifically in the context of the firm's obligations under the FCA's remuneration code.

As permitted by the Code, the firm has adopted the FCA's proportionality approach for Level 3 firms in applying the requirements of the Code. All decisions in relation to the remuneration of code staff are made and approved by the firm's remuneration committee, with no input from external consultants. Remuneration is determined with reference to a number of factors including, but not limited to, the performance of the individual, the Firm and the individual's adherence to the firm's risk management and compliance procedures.

Variable remuneration which is paid in the form of bonuses is only awarded after full consideration of these factors together with an assessment of any current or potential risks to the business in the context of these payments. 50% of the bonus is paid in the month it is awarded with the balance paid equally over the following three years on the anniversary of the award date.

In accordance with the FCA's proportionality approach for Level 3 firms, the firm has elected not to apply the FCA's specific regulatory requirements in relation to the fixed and variable elements of total remuneration; the payment of variable remuneration through retained shares or other instruments; or performance adjustments.

The remuneration committee believes that its remuneration policies, procedures and practices are fully aligned with the objectives of funds under management and its customers and that the payment of variable remuneration is therefore aligned to the performance and success of the funds which the firm acts as investment manager or advisor.

The firm's code staff, all of whom have been approved by the FCA under section 59 of the Financial Services and Markets Act 2000 Act to perform a controlled function, received aggregate remuneration of £1,152,995 in the year ended 30 September 2018.