

**Amber Capital UK LLP**  
**Members' Report and Financial Statements**  
**For the year ended 31 December 2014**

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# **Amber Capital UK LLP**

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## **Amber Capital UK LLP**

### **Administrative Information**

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#### **Members**

Amber Capital UK Holdings Limited  
Gilles Emile Andre Fretigne  
Joseph Marie Oughourlian

#### **LLP registered number**

OC322586

#### **Registered office**

Kent House  
14-17 Market Place  
London  
W1W 8AJ

#### **Independent auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London  
SE1 2RT

#### **Bankers**

The Royal Bank of Scotland  
62/63 Threadneedle Street  
London  
EC2R 8LA

HSBC Bank  
Hanover Square Branch  
19 St George Street  
London  
W1S 1FN

#### **Solicitors**

Schulte Roth & Zabel International LLP  
One Eagle Place  
London  
SW1Y 6AF

## **Amber Capital UK LLP**

### **Members' Report For the year ended 31 December 2014**

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The members present their report and the audited financial statements for the year ended 31 December 2014.

#### **Incorporation and commencement**

Amber Capital UK LLP (the 'LLP') was incorporated on 22 September 2006. The LLP was authorised by the Financial Services Authority (now the Financial Conduct Authority) to conduct investment business on 13 July 2007.

#### **Principal activities**

The LLP's principal activity is providing investment advisory and administrative services to (i) Amber Global Opportunities Master Fund Ltd., Amber Global Opportunities Fund Ltd., and Amber Global Opportunities Fund LP and (ii) Amber Capital Asset Management PLC, Amber Southern European Equity Limited, and Amber Select Opportunities Limited; and sub-advisory services to PM Manager Fund, SPC., on behalf of and for the account of Segregated Portfolio 22. The LLP also provides execution and other services to Amber Capital Italia SGR S.p.A..

#### **Results and allocation to members**

The results for the year are a profit for the financial year before members' remuneration and profit share available for discretionary division among members of £826,060 (2013: £29,812) shown in the profit and loss account. Profits will be allocated to the members as governed by the Partnership Agreement dated 28 June 2012 and a subsequent Deed of Adherence dated 22 August 2012.

#### **Financial Position**

The LLP's balance sheet shows a satisfactory position. Members' other interests amount to £1,836,060 (2013: £1,039,812).

#### **Review of the business**

The profit and loss account show a profit for the financial year before members' remuneration and profit share available for discretionary division among members of £826,060 (2013: £29,812).

#### **Policy for members' drawings, subscriptions and repayments of members' capital**

Policies for members' drawings, subscriptions and repayment of members' capital are governed by the Partnership Agreement dated 28 June 2012 and any subsequent amendments/deeds of adherence since that date. In summary, the capital contributions made by each existing member were set out in the Partnership Agreement and the Corporate Member determines the capital contribution to be paid by all future Further Members. These capital contributions are only repaid at the discretion of the Members of the LLP when a partner's membership in the LLP ceases. The Governance Committee of the LLP has sole discretion to determine and vary the level of each member's drawings, which it will do based on the requirements of the LLP. To the extent that the aggregate drawings of any member in any financial year exceed the profits so allocated to such member in respect of such financial year, such excess shall be treated as a debt due to the LLP, repayable immediately, unless determined otherwise by the Governance Committee. There were no transfers of equity to debt or debt to equity during the year.

#### **Members**

The members of the LLP during the year and up to the date of this report were as follows:

Amber Capital UK Holdings Limited  
Gilles Emile Andre Fretigne  
Joseph Marie Oughourlian

The responsibility for the management and control of the LLP is exercised by the Members of the LLP through the Governance Committee.

## Amber Capital UK LLP

### Members' Report (continued) For the year ended 31 December 2014

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#### Principal risks and uncertainties

The principal risks and uncertainties affecting the LLP relate to the performance of its underlying funds it manages and the impact that performance has on the ability to attract and retain investors. The funds advised by the LLP and its affiliates are subject to various market, counterparty, operational and regulatory risks that can ultimately have an impact on the business. To the extent possible, the LLP continues to monitor and improve its controls and processes to provide the proper infrastructure for managing the funds. Other risks and uncertainties relate to the ability to attract and retain key investment executives.

#### Statement of members' responsibilities in respect of the financial statements

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

Company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations") requires the members to prepare financial statements for each financial year. Under that law, the members have prepared the partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law as applied to limited liability partnerships, the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period. In preparing these financial statements, the members 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 partnership will continue in business.

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

#### Statement of disclosure of information to auditors

Each member in office at the date the members' report is approved confirms that:

(a) so far as the member is aware, there is no relevant audit information of which the LLP's auditors are unaware; and

(b) the member has taken all the steps that he ought to have taken as a member in order to make himself aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

#### Independent auditors

PricewaterhouseCoopers LLP were appointed as independent auditors. A resolution concerning their re-appointment will be proposed at the members' meeting to approve these financial statements.

This report was approved by the members on 27/03/15 and signed on their behalf by:

Gilles Fretigne



## **Amber Capital UK LLP**

### **Independent Auditors' Report to the Members of Amber Capital UK LLP**

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## **Report on the financial statements**

### **Our opinion**

In our opinion, Amber Capital UK LLP's financial statements (the "financial statements"):

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

### **What we have audited**

Amber Capital UK LLP's financial statements comprise:

- the Balance Sheet as at 31 December 2014;
- the Profit and Loss Account for the year then ended;
- the Reconciliation of members' interests for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the members have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 as applicable to limited liability partnerships 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 parent company, 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.

We have no exceptions to report arising from this responsibility.

## **Amber Capital UK LLP**

### **Independent Auditors' Report to the Members of Amber Capital UK LLP**

#### **Responsibilities for the financial statements and the audit Our responsibilities and those of the members**

As explained more fully in the Statement of members' responsibilities set out on page 3, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the members of the partnership as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving this opinion, 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.

#### **What an audit of financial statements involves**

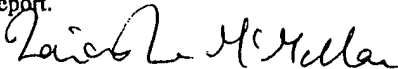
We conducted our audit in accordance with ISAs (UK and Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the limited liability partnership's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the designated members; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the members' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Members' Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Natasha McMillan (Senior statutory auditor)

for and on behalf of

**PricewaterhouseCoopers LLP**

7 More London Riverside

London

SE1 2RT

Date: 27 March 2015

## Amber Capital UK LLP

### Profit and Loss Account For the year ended 31 December 2014

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	Note	2014 £	2013 £
Turnover	1	4,157,675	4,216,979
Administrative expenses		(3,334,032)	(4,193,536)
		<hr/>	<hr/>
Operating profit	2	823,643	23,443
Interest receivable and similar income		2,417	6,369
		<hr/>	<hr/>
Profit for the financial year before members' remuneration and profit available for discretionary division among members	8	826,060	29,812
		<hr/>	<hr/>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than the profit for the current and preceding years as disclosed in the Profit and Loss Account.

There is no material difference between the profit for the financial year before members' remuneration stated above and its historical cost equivalent.

Notes 1-11 form part of these financial statements.

# Amber Capital UK LLP

## Balance Sheet As at 31 December 2014

	Note	2014 £	2013 £
<b>Fixed assets</b>			
Tangible assets	4	24,182	6,221
<b>Current assets</b>			
Debtors	5	2,238,913	2,592,061
Cash at bank and in hand		1,864,751	1,179,620
		<u>4,103,664</u>	<u>3,771,681</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	6	(89,616)	(101,801)
<b>Net current assets</b>		<u>4,014,048</u>	<u>3,669,880</u>
<b>Total assets less current liabilities</b>		<u>4,038,230</u>	<u>3,676,101</u>
<b>Represented by:</b>			
<b>Loans and other debts due to members</b>			
Other amounts	7	2,202,170	2,636,289
<b>Members' other interests</b>			
Members' capital	8	1,010,000	1,010,000
Other reserves	8	826,060	29,812
		<u>1,836,060</u>	<u>1,039,812</u>
		<u>4,038,230</u>	<u>3,676,101</u>
<b>Total members' interests</b>			
Amounts due from members (included in debtors)	8	(695,711)	(364,275)
Loans and other debts due to members	8	2,202,170	2,636,289
Members' other interests	8	1,836,060	1,039,812
	8	<u>3,342,519</u>	<u>3,311,826</u>

The financial statements were approved and authorised for issue by the members and were signed on their behalf  
on 27/03/15 by:

Gilles Fretigne

Notes 1-11 form part of these financial statements.

## **Amber Capital UK LLP**

### **Notes to the Financial Statements For the year ended 31 December 2014**

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#### **1. Accounting Policies**

##### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared on the going concern basis, in accordance with applicable UK Accounting Standards, under the historical cost convention and in accordance with the Companies Act 2006 as applied to Limited Liability Partnerships, the Limited Liability Partnerships Act 2000, the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and the Statement of Recommended Practice 'Accounting for Limited Liability Partnerships' issued in March 2010. Accounting policies have been applied consistently throughout the year.

##### **1.2 Cash flow statement**

Amber Capital UK Holdings Limited controls 98% of the voting rights in the LLP. The LLP is included in the consolidated financial statements of Amber Capital UK Holdings Limited, which are publicly available. Consequently, the LLP has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996), "cash flow statements."

##### **1.3 Turnover**

Turnover, which is stated net of any value added tax, and accounted for on an accruals basis, represents fees arising from services charged to Amber Capital Management LP, a related entity domiciled in the Cayman Islands, and Amber Capital Italia SGR S.p.A., a related entity domiciled in Italy.

##### **1.4 Tangible fixed assets and depreciation**

Tangible fixed assets are recorded at historical cost less accumulated depreciation. Cost includes the original purchase price of the assets and the costs attributed to bringing the asset to working condition for its intended use.

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value, over their estimated useful lives as follows:

Leasehold improvements	-	3 years straight line
Computer equipment	-	3 years straight line

##### **1.5 Operating leases**

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

##### **1.6 Expenses**

Expenses incurred have been recognised on an accrual basis

## Amber Capital UK LLP

### Notes to the Financial Statements For the year ended 31 December 2014

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#### 1. Accounting Policies (continued)

##### 1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the Profit and Loss Account.

##### 1.8 Taxation

No provision has been made for taxation in the financial statements. Each member is exclusively liable for any tax liabilities arising out of his interest in the LLP. Tax will be assessed on the individual members and not on the LLP.

#### 2. Operating profit

Operating profit is stated after charging:

	2014 £	2013 £
Depreciation of tangible fixed assets:		
- owned by the LLP	5,031	4,391
Auditors remuneration:		
- statutory audit	25,000	17,000
- fees paid pursuant to other regulations - tax services	63,521	15,600
Operating lease rentals:		
- other operating leases	218,881	216,519
Charges by Amber Capital UK Holdings Limited	2,438,917	3,173,905
	<u>2,731,349</u>	<u>3,416,415</u>

#### 3. Information in relation to members

	2014 Number	2013 Number
The average number of members during the year was	3	3
	<u>3</u>	<u>3</u>
	£	£
The amount of profit attributable to the member with the largest entitlement during the year was	27,327	-
	<u>27,327</u>	<u>-</u>

## Amber Capital UK LLP

### Notes to the Financial Statements For the year ended 31 December 2014

#### 4. Tangible fixed assets

	Computer equipment £	Leasehold improve- ments £	Total £
<b>Cost</b>			
At 1 January 2014	1,070	12,103	13,173
Additions	-	22,992	22,992
At 31 December 2014	<u>1,070</u>	<u>35,095</u>	<u>36,165</u>
<b>Depreciation</b>			
At 1 January 2014	565	6,387	6,952
Charge for the year	357	4,674	5,031
At 31 December 2014	<u>922</u>	<u>11,061</u>	<u>11,983</u>
<b>Net book value</b>			
At 31 December 2014	<u>148</u>	<u>24,034</u>	<u>24,182</u>
At 31 December 2013	<u>505</u>	<u>5,716</u>	<u>6,221</u>

#### 5. Debtors

	2014 £	2013 £
Trade debtors	102,620	-
Amounts owed by group undertakings	1,118,591	1,845,629
Prepayments and accrued income	52,722	77,189
Amounts due from members	695,711	364,275
VAT receivable	7,860	39,016
Deferred expense	-	8,912
Other debtors	4,369	-
Rent deposit	257,040	257,040
	<u>2,238,913</u>	<u>2,592,061</u>

## Amber Capital UK LLP

### Notes to the Financial Statements For the year ended 31 December 2014

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**6. Creditors:  
Amounts falling due within one year**

	2014 £	2013 £
Trade creditors	-	28,029
Amounts owed to group undertakings	-	6,357
Accruals and deferred income	89,616	67,415
	<u>89,616</u>	<u>101,801</u>

**7. Loans and other debts due to members**

	2014 £	2013 £
Amounts due to members	<u>2,202,170</u>	<u>2,636,289</u>

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

## Amber Capital UK LLP

### Notes to the Financial Statements For the year ended 31 December 2014

#### 8. Reconciliation of members' interests

	Members' capital (classified as equity)	Other reserves	Total members' other interests	Loans and debts due to members less amounts due from members	Total
	£	£	£	£	£
Amounts due to member				2,636,289	
Amounts due from members				(364,275)	
Members' interests at 1 January 2014	1,010,000	29,812	1,039,812	2,272,014	3,311,826
Profit for the year available for discretionary division among members	-	826,060	826,060	-	826,060
Members' interests after profit for the year	<b>1,010,000</b>	<b>855,872</b>	<b>1,865,872</b>	<b>2,272,014</b>	<b>4,137,886</b>
Profit allocations	-	(29,812)	(29,812)	-	(29,812)
Other movements	-	-	-	(415,555)	(415,555)
Drawings	-	-	-	(350,000)	(350,000)
Members' interests at 31 December 2014	<b>1,010,000</b>	<b>826,060</b>	<b>1,836,060</b>	<b>1,506,459</b>	<b>3,342,519</b>
Amounts due to members				2,202,170	
Amounts due from members				(695,711)	
				<b>1,506,459</b>	

#### 9. Operating lease commitments

At 31 December 2014 the LLP had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2014	2013
	£	£
<b>Expiry date:</b>		
Within 1 year	-	214,200
After more than 5 years	128,840	-

The LLP has received a rent free incentive in 2015. The annual commitment in subsequent years will be £257,680.

## Amber Capital UK LLP

### Notes to the Financial Statements For the year ended 31 December 2014

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#### 10. Related party transactions

During the year, charges of £2,438,917 (2013: £3,173,905) were made by Amber Capital UK Holdings Limited. The amount due to Amber Capital UK Holdings Limited at 31 December 2014 was £2,202,170 (2013: £2,636,289).

The LLP charged execution, financial analysis and investor relation service fees of £165,480 (2013: £117,561) to Amber Capital Italia SGR S.p.A. At 31 December 2014, Amber Capital Italia SGR S.p.A. owed £53,701 to the LLP (2013: £415 owed by the LLP).

During the year, the LLP charged service fees of £3,992,195 (2013: £3,871,023) to Amber Capital Management LP. At 31 December 2014, £1,010,705 (2013: £1,650,809) was owed to the LLP by Amber Capital Management LP.

Other amounts due from/(to) related parties at 31 December 2014 were as follows:

	2014 £	2013 £
Amber Global Opportunities Master Fund Ltd	28,493	173,640
Amber Southern European Equity Ltd	3,937	-
Amber Equity Fund	599	-
Succinite Investments X LLC	13,582	-
Succinite Investments XI LLC	21,631	-
PM Manager Fund, SPC, on behalf of Segregated Portfolio 22	71,124	21,180
San Lazzaro Holdings LLC	1,606	-
Amber Capital Latam Ltd	5,944	-
Amber Capital Management GP Ltd	1,755	-
Amber Latin America LLC - Series Three	41	-
Amber Capital LP	8,021	(5,942)

#### 11. Ultimate parent undertaking and controlling party

The LLP's immediate parent undertaking is Amber Capital UK Holdings Limited, which has included the LLP in its consolidated financial statements, copies of which are available from its registered office at Kent House, 14-17 Market Place, London, W1W 8AJ. Amber Capital UK Holdings Limited's parent is Amber Capital Management LP, an exempted limited partnership formed in accordance with the Exempted Limited Partnership Law (2011 Revision) of the Cayman Islands. The ultimate controlling party is Joseph Marie Oughourlian.

## **Amber Capital UK LLP**

### **Appendix I – Pillar III disclosure (unaudited)**

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The following unaudited additional information does not form part of the financial statements.

#### **AMBER CAPITAL UK LLP PILLAR 3 RISK DISCLOSURE STATEMENT**

##### **Introduction**

Amber Capital UK LLP (the “Firm”) is required by the Financial Conduct Authority (“FCA”) to disclose information relating to the capital it holds and each material category of risk it faces in order to assist users of its financial statements and to encourage market discipline. These disclosures aim to provide information on the risk exposures faced by the Firm and the risk assessment process it has in place to monitor these. Known as “Pillar 3” disclosures, they are required to be made under Chapter 11 of the FCA’s Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”) and are seen as complimentary to the Firm’s minimum capital requirement calculation (“Pillar 1”) and the internal review of its capital adequacy (“Pillar 2”).

The Firm is a limited liability partnership incorporated in England and Wales. The Firm is 98% owned by a corporate member, Amber Capital UK Holdings Limited (“ACUK Holdings”), and 1% owned by each of its managing members, Gilles Fretigne and Joseph Oughourlian. ACUK Holdings is a private limited company incorporated in England and Wales.

ACUK Holdings is 100% owned by Amber Capital Management LP (“ACMLP”), an exempted limited partnership formed in accordance with the Exempted Limited Partnership Law (2011 Revision) of the Cayman Islands.

The Firm is the investment manager, manager and/or sub-advisor of several collective investment schemes (the “Funds”) and is responsible for all trading and other investment decisions for the Funds. The Firm is authorised and regulated by the FCA.

##### **Risk management**

The Firm has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising from the business. The risk management process is overseen by Gilles Fretigne, a managing member of the Firm (and also the Firm’s Compliance Officer) with the members of the Firm taking overall responsibility for this process. A formal update on operational matters is provided to the members on a quarterly basis. Management accounts demonstrating continued adequacy of the Firm’s regulatory capital are also provided on a monthly basis.

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

Specific risks applicable to the Firm come under the headings of business, operational and credit risks.

##### **Business risk**

The majority of the Firm’s revenue is generated through the provision of services to the Funds. The loss of this revenue would result in the Firm itself making a loss. This risk is mitigated by the significant levels of capital held by the Firm.

## **Amber Capital UK LLP**

### **Appendix I – Pillar III disclosure (unaudited, continued)**

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#### **Operational risk**

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

The Firm has identified a number of key operational risks to manage. These relate to key man issues, the risk of occurrence of trading errors, disaster recovery risks and the potential for serious regulatory breaches. Appropriate policies are in place to mitigate these risks, which includes taking out adequate professional indemnity insurance.

The risk of loss of key trading personnel is mitigated by the fact that the main portfolio manager is a member of the Firm, and the majority partner of the Firm's ultimate parent entity. Operational procedures exist to prevent and identify trade errors. The Firm has alternative arrangements in place should a disaster recovery event occur. These arrangements are tested on a regular basis in order to ensure that they would be effective should they be required to be invoked. The Firm's employees undergo periodic training to ensure that they understand their regulatory obligations.

#### **Credit risk**

The Firm is exposed to credit risk in respect of fees billed to ACMLP and Amber Capital Italia SGR S.p.A., its rent deposit with its landlord and cash held on deposit.

Credit exposure is limited since the Firm has one main counterparty, ACMLP. The Firm's bank accounts are held with large international credit institutions.

Given the nature of the Firm's exposures, no specific policy for hedging and mitigating credit risk is in place. The Firm uses the simplified standardised approach detailed in BIPRU 3.5.5 of the FCA Handbook when calculating risk weighted exposures in respect of its debtors. This amounts to 8% of the total balances due. All bank balances are subject to a risk weighted exposure of 1.6% in accordance with BIPRU 3.4 of the FCA Handbook.

#### **Consolidation**

The Firm is a member of a group that prepares financial statements on a fully consolidated basis for accounting purposes under UK GAAP. The financial statements of the group and of the subsidiary companies are prepared on the going concern basis. Consolidated supervision reports prepared for the purpose of providing prudential returns to the FCA require each company in the group to assess the capital held and the capital required in accordance with the provisions set out in BIPRU 8 of the FCA Handbook. This requires all regulated firms within the group to maintain adequate capital resources so as to meet their capital requirements. Unregulated firms are not required to meet capital requirements on an individual basis provided there is adequate capital in the group as a whole.

The Firm is responsible for ensuring that sufficient capital is maintained on an entity by entity basis as well as on a consolidated basis.

## **Appendix I – Pillar III disclosure (unaudited, continued)**

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### **Remuneration Code**

The FCA's Remuneration Code ("Code") can be applied in a proportionate way as the Firm falls within proportionality level three. As such, the members have determined that the following rules are not proportionate to the Firm and have not implemented these detailed rules:

- SYSC 19A.3.44 - Leverage;
- SYSC 19A.3.47 - Retained shares and other instruments;
- SYSC 19A.3.49 - Deferral; and
- SYSC 19A.3.51, 19A.3.52 - Performance adjustment

### **Decision-making process for remuneration policy**

The members of the Firm are responsible for approving the remuneration policy and, in doing so, take into account the pay and conditions across the Firm.

This includes the individual remuneration packages of members and other senior employees, including all in positions of significant influence and those having an impact on the Firm's risk profile ("Remuneration Code Staff").

Members receive drawings in accordance with the Partnership Agreement and any remaining profits are allocated to members in accordance with the Partnership Agreement.

No individual is involved in decisions relating to his or her own remuneration.

### **a) Remuneration Code Staff criteria**

In accordance with the FCA's criteria for Remuneration Code Staff, the Firm has identified those individuals who meet the relevant criteria, based on the definition noted below:

- a person who performs a significant influence function for a firm;
- a senior manager;
- risk takers, whose professional activities could have a material impact on the Firm's risk profile and
- all staff whose total remuneration takes them into the same bracket as senior management and risk takers.

### **b) The link between pay and performance for Remuneration Code Staff**

Remuneration is made up of fixed pay (i.e. salary and benefits) and performance-related pay (i.e. annual bonus). Performance-related pay is designed to reflect success or failure against a range of targets.

The structure of the remuneration package is such that the fixed element is sufficiently large to enable the Firm to operate a truly flexible bonus policy.

The Firm is subject to, and is in compliance with, the Code. The purpose of the Code generally is to ensure that firms have risk focused remuneration policies, which are consistent with and promote effective risk management and do not expose the firm to excessive risk.

**Appendix I – Pillar III disclosure (unaudited, continued)**

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**b) The link between pay and performance for Remuneration Code Staff (continued)**

The Code is capable of application in a proportionate manner (the Proportionality Rule); the Firm falls within proportionality tier three. The Firm's members are responsible for setting the firm's remuneration policy for all staff, and the compliance oversight officer is a member of the senior management team.

Variable remuneration, to the extent it is paid, is directly linked to the firm's performance and profitability as a whole.

**Quantitative information**

The Firm, which has one business area, has identified two Remuneration Code Staff members, who are the managing members and members of senior management. They are entitled to drawings and neither has received variable remuneration in the past five years. They received drawings of £350,000 during 2014.

**Capital adequacy**

**Capital resources**

As at 31 December 2014, the Firm held regulatory capital resources of £1,039,812. This comprised solely of core Tier 1 capital.

**Capital requirement**

As at 31 December 2014, the Firm's Pillar 1 capital requirement was £434,499. This has been determined by reference to the Firm's Fixed Overheads Requirement ("FOR") and calculated in accordance with the FCA's General Prudential Sourcebook ("GENPRU") at GENPRU 2.1.53. The requirement is based on the FOR since at all times this exceeds the total of the credit and market risk capital requirements considered by the Firm and also exceeds its base capital requirement of €50,000.

The FOR is based on annual expenses net of variable costs deducted, which include discretionary bonuses paid to staff, exchange losses and certain one-off professional fees. The Firm monitors its expenditure on a monthly basis and takes into account any material fluctuations in order to determine whether the FOR remains appropriate to the size and nature of the business or whether any adjustment needs to be made intra-year. This is monitored by a managing member and reported to members of the Firm on a quarterly basis.

**Satisfaction of capital requirements**

Since the Firm's ICAAP (Pillar 2) process has not identified capital to be held over and above the Pillar 1 requirement, the capital resources detailed above are considered adequate to continue to finance the Firm over the next year.