Charlemagne Capital (UK) Limited

Directors' report and financial statements

For the year ended 31 December 2014

Company number 03017258

Charlemagne Capital (UK) Limited

Contents	*Page*

Charlemagne Capital (UK) Limited

Company information

Directors

Sir J Mellon
N J Bradley
J Mayo
V Lotan
J McAndry
V Kydoniefs
G Sitanyi

Secretary

H Stewart

Auditors

KPMG Audit LLC
Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN

Solicitors

Stephenson Harwood
One, St Paul's Churchyard
London
EC4M 8SH

Registered office

39 St James's Street
London
SW1A 1JD

Charlemagne Capital (UK) Limited

Directors' report

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

Principal activities

The Company is part of Charlemagne Capital Limited Group of Companies (the "Group"). The principal activities of the Company are the provision of investment advisory and management services to other Group entities and third parties outside of the Group.

Results

The profit before taxation for the year ended 31 December 2014 amounted to US$392,328 *(2013: profit of US$1,054,731).*

Dividend

The Company did not pay a dividend during the year *(2013: US$ Nil).*

Events since the balance sheet date

There have been no significant events since the balance sheet date.

Directors and their interests

The Directors who served during the year and to date are shown on page 1.

At 31 December 2014 the Directors have no interest in the share capital of the Company (*2013: None*).

The Directors and their interests in the share capital of the parent company were as follows:

Charlemagne Capital Limited

	Personal interest	Other interest	Total Interest
31 December 2014			
Sir J Mellon	135,965	-	135,965
V Kydoniefs	371,511	-	371,511
V Lotan	2,102,801	-	2,102,801
J McAndry	1,266,719	-	1,266,719
J Mayo	1,807,864	-	1,807,864
31 December 2013			
Sir J Mellon	135,965	-	135,965
V Lotan	1,731,290	-	1,731,290
J McAndry	159,196	-	159,196
J Mayo	321,820	-	321,820

The Directors who held office at the date of the approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that they ought to have taken as Director to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Strategic Report

2014 has been a year during which challenging external factors have impacted negatively on the sector in which the parent operates. The MSCI Emerging Markets Index was down 2.19% on a net basis in US$ as a result of sharp declines in the second half of the year reversing the gains of the first. Eastern European markets were particularly badly hit and suffered extreme volatility, due to the Ukraine crisis followed by the plunge in the oil price. The MSCI Eastern European Index ended the year down 37.59%, falling 26.79% in the final quarter with Russia down 46.27% for the year as a whole. This affected the investment performance of assets managed by the Group, especially those strategies which have a greater focus on Eastern Europe.

The Group ended the year with Assets under Management ("AuM") of US$2.25 billion, 17.7% lower than at the beginning although average AuM over the year was similar to the prior year. The industry asset class as a whole experienced substantial net outflows over the year. Against this general trend, the Group benefitted from net inflows over the year into the core, long-only UCITS funds, with the Magna Funds achieving overall net inflows of US$142 million - a 16.8% increase - over the year. In contrast, the institutional products, where there are a number of East European focused accounts, suffered and the OCCO Eastern European Fund also had small negative performance during the period, mainly driven by the geo-political backdrop in Russia. As a result, the Group had net outflows overall, although, a high proportion of these were attributable to Institutional white label funds.

The Company made a pre-tax profit of US$0.4 million compared with US$1.1 million in the previous year, with a 28% decrease in income and a 26% decrease in costs.

Total advisory fees decreased during the year due to the decrease in performance fees received from US$10.5 million in 2013 to US$1.2 million in 2014. Marketing income, which is linked to the assets values of the funds we actively market, increased to US$3.9 million from US$3.1 million in line with the average increase in those funds.

Operating costs decreased to US$19.4 million (2013: US$26.2 million) which predominately reflects the decrease in performance awards over the year included in staff costs. These performance awards are lower this year due to the decrease in fee levels associated with the hedge fund product.

The Company did not declare or pay a dividend during the year (2013: £Nil).

The Company retains a strong operational base and is well-placed to absorb a significant increase in assets under management, with a negligible impact on core costs. Such an increase would have a positive effect on the profitability of the business which is well positioned to take full advantage of an upturn in the markets.

Principal risks and uncertainties

There is a range of risks and uncertainties faced by the Company. Risks arise from external sources as well as from those inherent commercial issues that exist within the business environment in which we operate. In addition operational risks contained in the systems and processes employed within the business are a source of risk.

The Company earns the bulk of its income from services in respect of the management of investment funds, the majority of which are fees payable by a fellow subsidiary for the provision of investment advice. These fees are calculated by reference to the management fees and performance fees earned from those funds managed by that fellow subsidiary company.

Strategic Report (continued)

Amongst the major risks to the business strategy is the loss of assets under management by the Company and Group due to markets falling, poor investment performance or the loss of key investment personnel. These events would have an immediate impact on the management fees earned by the Group and Company and may also impact on the Company's ability to earn possible performance fee related advisory fees.

External risks arise from political, legal, regulatory and economic factors. Changes in legislation and interpretation of existing tax laws could also have an impact on the Company. These changes cannot be predicted but the Company consults with its external advisors and seeks to operate within the applicable legislation.

Operational risks arising from potentially failed processes, human error or a failure to comply with regulations could result in the Company incurring financial loss and ultimately losing the ability to operate as a regulated financial services business. The Board believes its regulated business has sufficient resources for compliance monitoring and to take corrective action when warranted and that the Company has appropriate internal controls in place to mitigate such operational risks.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit LLC will therefore continue in office. A resolution proposing reappointment will be put to the Annual General Meeting.

On behalf of the Board

Jane McAndry
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare financial statements in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice) 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 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; 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 to enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

ABCD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHARLEMAGNE CAPITAL (UK) LIMITED

We have audited the financial statements of Charlemagne Capital (UK) Limited for the year ended 31 December 2014, which comprise the Profit and Loss account, Balance Sheet and the related notes set out on pages 10 to 16. The financial reporting framework that has been applied is in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice) and applicable law.

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.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHARLEMAGNE CAPITAL (UK) LIMITED (Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Nicholas Quayle (Senior Statutory Auditor)
for and on behalf of KPMG Audit LLC, Statutory Auditor

Chartered Accountants

Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN

Charlemagne Capital (UK) Limited

Profit and loss account
for the year ended 31 December 2014

	Notes	**2014 US$**	2013 US$
Turnover	*2*	**19,436,214**	26,895,476
Operating costs		**(19,366,335)**	(26,231,842)
Other operating income		**228,311**	131,002
Operating profit	*3*	**298,190**	794,636
Interest receivable and similar income		**94,138**	260,095
Profit on ordinary activities before taxation		**392,328**	1,054,731
Tax on profit on ordinary activities	*6*	**(66,970)**	(278,831)
Profit on ordinary activities after taxation	*12*	**325,358**	775,900

All activities are considered to be continuing.

In both the current and preceding financial years, there were no recognised gains or losses other than those dealt with in the profit and loss account.

The notes on pages 10 to 16 form part of these financial statements.

Balance sheet
as at 31 December 2014

	Notes	**2014** **US$**	2013 US$
Fixed assets			
Fixed assets	7	**40,453**	83,897
Current assets			
Debtors	8	**7,027,191**	1,160,435
Cash at bank and in hand		**1,316,074**	10,337,253
		8,343,265	11,497,688
Deferred tax asset/(liability)	6	**12,017**	(5,059)
Creditors: amounts falling due within one year	9	**(407,655)**	(3,913,804)
Net current assets		**7,947,627**	7,578,825
Total assets less current liabilities		**7,988,080**	7,662,722
Capital and reserves			
Called up share capital	11,12	**155**	155
Share premium account	12	**1,554,045**	1,554,045
Profit and loss account	12	**6,433,880**	6,108,522
Equity shareholder's funds		**7,988,080**	7,662,722

Company registration number: 03017258

The notes on pages 10 to 16 form part of the financial statements.

These financial statements were approved by the Board of Directors on 23rd March 2015 and were signed on their behalf by:

J McAndry

Jane McAndry
Director

Notes

(forming part of the financial statements for the year ended 31 December 2014)

1 Accounting policies

a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable UK Accounting Standards (UK Generally Accepted Accounting Practice). The Company is a going concern.

b) Turnover

Turnover comprises investment management fees and advisory fees, and marketing support fees (see note 2). All fees are on an accruals basis.

c) Depreciation

Tangible fixed assets are written off on a straight line basis over their estimated useful lives as follows:

Leasehold property	over the lease term
Computers	3 years
Office equipment	4 years
Office furniture	5 years

d) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

e) Functional currency

In the opinion of the Directors, United States Dollars is the currency which mainly influences the sales price for the services provided by the Company and influences the value of the expenses paid by the Company.

f) Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in respect of all material timing differences between the treatment of certain items for taxation and accounting purposes. From time to time the Company receives inquiries from revenue authorities into its taxation affairs, as is common for entities operating international transfer pricing policies. It is the policy of the Company to account for any taxation due as a result of such inquiry in the year in which the substance of any settlement is agreed.

g) Comparative Figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation for the current year.

1 **Accounting policies (continued)**

h) Employee benefits

The Company incurs staff costs in respect of employees seconded to it by Charlemagne Capital (Services) Limited ("CCS"), the global employment company for the Charlemagne Group. The secondment charge includes amounts in respect of salary, bonus awards, national insurance payments, and contributions to employee benefit trusts.

In common with other groups which have initiated employee benefit trusts, from time to time entities within the Charlemagne Group may receive inquiries from revenue authorities regarding taxation aspects. It is the policy of the Company to account for any taxation due as a result of such inquiry in the year in which the substance of any settlement is agreed.

2 **Turnover**

Turnover, which is stated net of value added tax, represents the value of services relating to the provision of investment advice.

	2014	2013
	US$	US$
Advisory fees	**15,456,484**	23,827,572
Marketing support fees	**3,979,738**	3,066,165
Other	**(8)**	1,739
	19,436,214	26,895,476

3 **Operating profit**

Operating profit is stated after charging/(crediting):

		2014	2013
		US$	US$
Foreign exchange gain		**(54,711)**	(216,691)
Interest payable and similar charges		**12,105**	7,398
Profit on disposal of fixed assets		**-**	(163)
Rent payable		**614,586**	581,029
Staff costs (note 5)		**14,807,270**	21,928,778
Depreciation (note 7)		**50,234**	71,601
Auditors' remuneration	- audit services	**28,600**	27,800
	- non audit services	**6,020**	9,528

4 **Directors' remuneration**

	2014 US$	2013 US$
Salaries	**1,002,761**	925,688
Performance related bonuses	**640,200**	1,166,000
Pension contributions	**125,800**	-
	1,768,761	2,091,688
Amount paid to third parties in respect of Directors' services	**16,461**	15,668

The highest paid Director had emoluments of US$743,236 *(2013: US$1,051,171).*

5 **Staff costs**

	2014 US$	2013 US$
Employee remuneration	**13,098,336**	19,503,995
Social security costs	**1,472,305**	2,398,931
Pension contributions	**236,630**	25,852
	14,807,271	21,928,778
The average number of employees including directors during the year was	**38**	35

The Company participates (via Charlemagne Capital (Services) Limited, a fellow subsidiary) in a discretionary bonus scheme, as approved by the Board, operated by Charlemagne Capital Group which is based on the Group's operating divisions profit before taxation. Bonuses are accounted for in the financial year in which the bonus is earned.

In the year ended 31 December 2005 Charlemagne Capital (Services) Limited set up an employee benefit trust, the Charlemagne 2005 Employee Benefit Trust ("EBT"). No contributions have been paid into the EBT in respect of staff seconded to the company relating to this or the prior year. Her Majesty's Revenue and Customs ("HMRC") have made certain enquiries in respect of these arrangements and protective assessments in respect of social security contributions have been raised. This stance is consistent with the approach taken by HMRC to many businesses which have utilised such employee benefit trust structures. Management has always been firmly of the opinion that challenges by HMRC against the Company are without merit and will be robustly defended. In addition, the Group's EBT arrangements provide that the Trustee must retain sufficient sums to allow any such liabilities to be met. Accordingly, no provisions have been made by any Group entities in respect of additional tax obligations, including any related interest or penalties thereon. However, should any challenges prove successful or should tax legislation change significantly to the detriment of the Group, liabilities may arise which may or may not be significant.

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2014)

5 Staff costs (continued)

During 2011 and 2014 the UK Treasury published legislation that further impacts upon EBT arrangements. Based upon advice received, the Board remains of the view that no liabilities arise for the Group in relation to these EBT arrangements. However, in response to HMRC's published EBT Settlement Opportunity and the announcement that this facility is to be withdrawn on 31 March 2015, the Group, in consultation with the beneficiaries of the EBT, have entered into discussions with HMRC with a view to taking advantage of the beneficial terms offered under the arrangement. These discussions are at an advanced stage and if an agreement with HMRC is reached this would resolve any potential issues of significance for the Group in relation to the EBT arrangements. At this point, however, there can be no certainty that such an agreement will be reached.

6 Taxation

(a) The Company's charge for taxation is made up as follows:

	2014 **US$**	2013 US$
United Kingdom Corporation tax at 21.5% (*2013: 23% and 24%*)	**84,046**	270,800
Under/(over) provision in respect of previous years	**-**	8,031
Current tax charge for the year	**84,046**	278,831
Movement in deferred tax	**(17,076)**	-
	66,970	278,831

The deferred taxation asset amounts to US$12,017 *(2013: liability of US$5,059).*

(b) Factors affecting tax charge for the period:

The differences between the domestic and actual rate of tax are explained below:

	2014 **US$**	2013 US$
Profit on ordinary activities before tax	**392,328**	1,054,731
Profit on ordinary activities multiplied by the standard rate of United Kingdom Corporation tax 21.5% (*2013: 23% and 24%*)	**84,351**	245,225
Effects of:		
Depreciation in excess of/(less than) Capital Allowances	**7,124**	11,595
Other disallowed expenditure	**445**	-
Impact of foreign exchange movements	**(7,874)**	13,980
Under/(over) provision in respect of previous years	**-**	8,031
Current tax charge for the year	**84,046**	278,831

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2014)

7 Tangible fixed assets

	Leasehold property US$	Computers US$	Office equipment US$	Office furniture US$	Total US$
Cost					
As at 1 January 2014	411,972	379,076	58,799	183,698	1,033,545
Additions	-	7,656	-	-	7,656
Disposals	-	(1,695)	-	-	(1,695)
As at 31 December 2014	**411,972**	**385,037**	**58,799**	**183,698**	**1,039,506**
Depreciation					
As at 1 January 2014	411,972	324,035	52,935	160,706	949,648
Charged during the year	-	40,503	2,329	7,402	50,234
Disposals	-	(829)	-	-	(829)
As at 31 December 2014	**411,972**	**363,709**	**55,264**	**168,108**	**999,053**
Net book value					
As at 31 December 2014	-	**21,328**	**3,535**	**15,590**	**40,453**
As at 31 December 2013	-	55,041	5,864	22,992	83,897

8 Debtors

	2014 US$	2013 US$
Other debtors	**527,733**	523,030
Prepayments and accrued income	**423,483**	637,405
Amounts owed by parent company	**5,980,484**	-
Corporation tax refund	**95,491**	-
	7,027,191	1,160,435

The amounts due by the parent company are unsecured; bear interest at commercial rates and are repayable on demand.

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2014)

9 **Creditors:** amounts falling due within one year

	2014 US$	2013 US$
Corporation tax payable	-	218,254
Other taxes and social security costs	**282,677**	246,778
Other creditors	**124,978**	87,044
Amounts owed to fellow subsidiary undertakings	-	3,361,728
	407,655	3,913,804

The amounts owed to the fellow subsidiary undertakings are unsecured, bear interest at commercial rates and are repayable on demand.

10 **Commitments**

Annual operating lease commitments are as follows:

	2014 US$	2013 US$
Property, expiring within 1 year	38	-
Property, expiring within 2-5 years	431,966	435,471

11 **Share capital**

	2014 US$	2013 US$
Authorised		
100,000 ordinary shares of £0.01 each	1,554	1,554

	2014 US$	2013 US$
Allotted, called up and fully paid		
10,000 Ordinary shares of £0.01 each	155	155

Notes (continued)

(forming part of the financial statements for the year ended 31 December 2014)

12 **Reconciliation of equity shareholders' funds and movements on reserves**

	Share capital US$	Share premium account US$	Profit and loss account US$	Total share-holders' funds US$
At 31 December 2013	155	1,554,045	6,108,522	7,662,722
Retained profit for the year	-	-	325,358	328,358
At 31 December 2014	**155**	**1,554,045**	**6,433,880**	**7,988,080**

	Share capital US$	Share premium account US$	Profit and loss account US$	Total share-holders' funds US$
At 31 December 2012	155	1,554,045	5,332,622	6,886,822
Retained profit for the year	-	-	775,900	775,900
At 31 December 2013	**155**	**1,554,045**	**6,108,522**	**7,662,722**

13 **Statement of cash flow**

Under FRS 1 "Cash flow statements" (Revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements *(note 15)*.

14 **Related parties**

At 31 December 2014 the Company was controlled by Charlemagne Capital Limited and is exempt from disclosing transactions with it and other group undertakings under FRS8 "Related party disclosures" as it is a wholly owned subsidiary undertaking included within the consolidated financial statements of Charlemagne Capital Limited which are publically available *(note 15)*.

15 **Parent and ultimate holding company**

The parent and ultimate holding company is Charlemagne Capital Limited. The smallest and largest group in which the results of the Company are consolidated is Charlemagne Capital Limited. Copies of the group financial statements of Charlemagne Capital Limited are available from Charlemagne Capital Limited, St Mary's Court, 20 Hill Street, Douglas, Isle of Man.

16 **Contingent liabilities**

Except as noted within note 5 in respect of the Charlemagne Capital 2005 Employee Benefit Trust, there are no significant contingent liabilities.

Capital Requirements Directive (unaudited)

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

The European framework consists of three 'Pillars':

- Pillar 1 sets out the minimum capital amount that meets the Company's credit, market and operational risk;
- Pillar 2 requires the Company to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position, including disclosure requirements for compensation.

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

We are permitted to omit required disclosures if we believe that the information is immaterial such that omission would not be likely to change or influence the decision of a reader relying on that information.

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

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

Scope and application of the requirements

Charlemagne Capital (UK) Limited ("the Company") is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements.

The Company is categorised as a Limited Licence Firm by the FCA for capital purposes and as such has no trading book exposures.

The Company is a member of a group. We foresee no impediments to the prompt transfer of capital between group entities should the need arise and there are no differences in the basis of consolidation for accounting and prudential purposes.

Risk management

The Company is governed by its Directors and its Senior Managers ("Principals") 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 the risks that the business faces. The Principals also determine how the risk our business faces may be mitigated and assess on an ongoing basis the arrangements to manage those risks.

Capital Requirements Directive (unaudited) (continued)

The Principals meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. The Principals manage the Company's risks business through a framework of policy 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. These policies and procedures are updated as required.

The Principals have identified that business, operational, market and credit risks are the main areas of risk to which the Company is exposed. Annually the Principals formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Principals identify material risks they consider the financial impact of these risks as part of our business planning and capital management and conclude whether the amount of regulatory capital is adequate.

Regulatory capital

The Company is a Limited Company and its capital arrangements are established in its Articles. Its capital is summarised as follows:

	US$'000
Share Premium	1,554
Audited reserves	6,109
Current Year Profit	325
Less: Dividend	-
Total capital resources per accounts	7,988

The main features of the Company's capital resources for regulatory purposes are as follows:

Capital item	**US$'000**
Tier 1 capital less innovative tier 1 capital	7,988
Total tier 2, innovative tier 1 and tier 3 capital	-
Deductions from tier 1 and tier 2 capital	-
Total capital resources, net of deductions	7,988

Our Company is small with a simple operational infrastructure. Its market risk is limited to foreign exchange risk on its accounts receivable in foreign currency, and credit risk from advisory and marketing fees receivable from other entities within the Group. The Company follows the standardized approach to market risk and the simplified standard approach to credit risk. The Company is subject to the Fixed Overhead Requirement and is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

As discussed above the Company is a Limited Licence Firm and as such its capital requirements are the greater of:

- Its base capital requirement of €50,000; or
- The sum of its market and credit risk requirements; or
- Its Fixed Overhead Requirement.

Capital Requirements Directive (unaudited) (continued)

Regulatory capital (continued)

We have not identified credit risk exposure classes or the minimum capital requirements for market risk as we believe that they are immaterial.

It is the Company's experience that the Fixed Overhead Requirement establishes its capital requirements and hence market and credit risks are considered not to be material.

Capital Requirements Directive – Remuneration Code Disclosure

Remuneration code disclosure

Charlemagne Capital (UK) Limited ("the Company") is a wholly owned subsidiary of Charlemagne Capital Limited. As it is authorised and regulated by the Financial Conduct Authority as a Limited Licence Firm, it is subject to FCA Rules on remuneration. These are contained in the FCA's Remuneration Code located in the SYSC Sourcebook of the FCA's Handbook. The Remuneration Code ("the RemCode") covers an individual's total remuneration, fixed and variable. The Company incentivises staff through a combination of the two.
Our policy is designed to ensure that we comply with the RemCode and our compensation arrangements:

1. are consistent with and promotes sound and effective risk management;
2. do not encourage excessive risk taking;
3. include measures to avoid conflicts of interest; and
4. are in line with the Company's business strategy, objectives, values and long-term interests.

Proportionality

Enshrined in the European remuneration provisions is the principle of proportionality. The FCA have sought to apply proportionality in the first instance by categorising firms into three levels. The Company falls within the FCA's third level and as such this disclosure is made in line with the requirements for a Level 3 Firm.

Application of the requirements

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

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

    - The Company's policy has been agreed by the Senior Management in line with the RemCode principles laid down by the FCA.
    - The Company's parent company has established an independent Remuneration Committee that fulfils the functions of a Remuneration Committee for the Company.
    - The Company's policy will be routinely reviewed as part of the annual review of all Charlemagne Group processes and procedures and following any significant change to the business requiring an update to its internal capital adequacy assessment.
    - The Company's ability to pay bonuses is based on the performance of the Company and the Charlemagne Group overall.

Capital Requirements Directive (unaudited) – Remuneration Code Disclosure (continued)

Application of the requirements (continued)

2. *Summary of how the Company links between pay and performance.*

- Employees are remunerated with an annual fixed salary, and a discretionary bonus.
- Discretionary compensation seeks to reward good performance and to align the interests of employees, shareholders and client fund shareholders by linking the discretionary bonus award calculation to the profitability of the Charlemagne Group; it also seeks to assist in creating long-term loyalty of key employees by deferring awards over future financial periods.
- When assessing individual performance, financial as well as non-financial criteria are taken into account.

3. *Aggregate remuneration paid[1] in 2014 in respect of Code Staff by business area.*

Aggregate remuneration paid[1] during the year ended 31 December 2014 in respect of Code Staff was £10.5 million. Following a review of the business, it has been determined that the operations of the Firm should be considered as one business unit.

4. *Aggregate remuneration paid[1] in 2014 in respect of Code Staff by type.*

Code Staff	**GBP'000**
Senior Management	1,917
Other	8,576

[1] Aggregate remuneration paid consists of salaries and discretionary bonuses awarded and paid during the year.