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AUDITOR'S REPORT

Limited Assurance Report on client assets by the Independent Auditor to the Financial Conduct Authority in respect of Albemarle Asset Management Limited, FCA reference number 226244

We report in respect of Albemarle Asset Management Limited ("the firm") on the matters set out below for the period started 1 January 2017 and ended 31 December 2017 ("the period").

Our report has been prepared as required by SUP 3.10.4R and is addressed to the Financial Conduct Authority ("the FCA") in its capacity as regulator of financial services under the Financial Services and Markets Act 2000.

This report is made solely to the FCA, in accordance with the terms of SUP 3.10.4R of the FCA Handbook. Our work has been undertaken so that we might state to the FCA those matters which we are required to state to it in an auditor's client assets 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 FCA, for our work, for this report, or for the opinions we have formed. Our report should not be disclosed to any third party or otherwise quoted or referred to without our prior written consent.#

Basis of opinion

We have carried out such procedures as we have considered necessary for the purposes of this report in accordance with the Client Asset Assurance Standard issued by the Financial Reporting Council.

The opinions relate only to the period, or as at the date, specified. The opinions do not provide assurance in relation to any future period or date.

Unmodified opinion

The scope of the firm's permission does not allow it to hold client money or custody assets.

The directors of the firm have stated that the firm did not hold client money or custody assets during the period. Based on review procedures performed, nothing has come to our attention that causes us to believe that the firm held client money or custody assets during the period.

Robert Nissen F.C.A (Senior Statutory Auditor)
For and behalf of Stein Richards Limited
Chartered Accountants and Statutory Auditors
10 London Mews
London
W2 1HY

Date: 26 March 2018

Robert Nisse nFCA Rolanda Hyams FCA

Stein Richards Limited Registered in England Company Number 5154433

Registered Office 10 London Mews London W2 1HY

Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

A member of the ICAEW Practice Assurance Scheme



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CHARTERED
ACCOUNTANTS

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017
FOR
ALBEMARLE ASSET MANAGEMENT LIMITED

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FOR THE YEAR ENDED 31ST DECEMBER 2017

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ALBEMARLE ASSET MANAGEMENT LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER 2017

DIRECTORS:

U Borghesi
M Bracali
F C De Tomasi

SECRETARY:

M Bracali

REGISTERED OFFICE:

7 Old Park Lane
Mayfair
London
W1K 1QR

REGISTERED NUMBER:

04745029 (England and Wales)

AUDITORS:

Stein Richards
Chartered Accountants and Statutory Auditor
10 London Mews
Paddington
London
W2 1HY

STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2017

The directors present their strategic report for the year ended 31st December 2017.

REVIEW OF BUSINESS

The results for the year are set out on page 9 and show the profit on ordinary activities after taxation for the year as being £2,997,113 (2016: £176,253). At the year end, the net assets of the company amounted to £4,175,807 (2016: £1,178,694).

The turnover of the company for the year is £6,555,491 (2016: £3,484,343). The company's business strategy out performed the relevant financial benchmarks during the year resulting in an increase in the turnover.

The assets under management as at 31 December 2017 is £302 million (2016: £322 million). The company continues to focus on the increase of assets under management both targeting institutional investors and entering in new distribution agreements.

During the year the company rationalised its business lines and cost base and these measures should contribute to improve the future economic results.

Global markets were resilient during the year despite the issues surrounding Brexit. In such an environment the company kept its focus on the investment process, philosophy and approach on the critical issues which resulted in strong investment performance.

The year ahead is shaping up to be a challenging one in terms of the financial markets and the increased costs from the new MiFID II regulations but the business is in a better position in terms of its financial strength, management and investment process.

STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2017

PRINCIPAL RISKS AND UNCERTAINTIES

The company has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The Senior Management team takes overall responsibility for this process and the fundamental risk appetite of the company. The team has responsibility for the implementation and enforcement of the company's risk principles.

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

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

Business risk

The company's revenue is reliant on the performance of the existing funds under management and its ability to launch new funds/obtain new mandates. As such, the risk posed to the company relates to under performance resulting in a decline in revenue and adverse market conditions hindering the launch of new funds and ultimately the risk of redemption from the funds managed by the company. This risk is mitigated by the significant levels of capital held by the company which will continue to cover all the expenses of the business.

Operational risk

The company 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 company has identified a number of key operational risks to manage. These relate to systems failure, failure of a third party provider, potential for serious regulatory breaches, and market abuse. Appropriate policies are in place to mitigate against these risks, which includes taking out adequate professional indemnity insurance, compliance training for employees and business continuity planning.

Credit risk

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

Management fees are drawn monthly or quarterly from the funds managed and performance fees are drawn quarterly or annually where applicable. The company considers that there is little risk of default by its clients. All bank accounts are held with large international credit institutions.

Market risk

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

Since the company takes no trading book positions on its balance sheet, the primary market risk relates to fluctuations in the value of its revenues due to movements in currency rates. The firm maintains multi-currency bank accounts and uses currency contracts to hedge this risk.

STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2017

KEY PERFORMANCE INDICATORS

The Company manages the business by reference to key performance indicators, the principal indicators are as follows:

Operating margins: 84.77% (2016: 61.73%) (gross profit/sales)

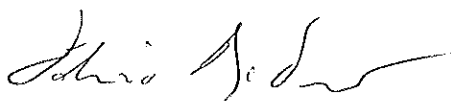
Turnover - £6,555,491 (2016: £3,484,343)

Liquidity ratio: 4.15 (2016: 3.24) (current assets/current liabilities)

The directors consider the company to be well financed at the year end.

The directors will continue to monitor the company's performance and have no plans for changes to the strategic objectives of the company in the foreseeable future.

ON BEHALF OF THE BOARD:



F C De Tomasi - Director

26th March 2018

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2017

The directors present their report with the financial statements of the company for the year ended 31st December 2017.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of providing both individual and collective management services for private and institutional investors, financial and capital management consultancy, and managed investment solutions.

The company is authorised and regulated by The Financial Conduct Authority.

DIVIDENDS

No dividends will be distributed for the year ended 31st December 2017.

This year's final dividend of £2.7979 per share was paid on 15 March 2018 and therefore will be accounted for in the financial statements for the year ending 31 December 2018.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1st January 2017 to the date of this report.

U Borghesi
M Bracali

Other changes in directors holding office are as follows:

S A Williams - resigned 31st January 2017
R Accornero - resigned 31st March 2017
F C De Tomasi - appointed 21st February 2017

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The directors have identified the principal risks and uncertainties facing the company and are disclosed in the Strategic Report.

PILLAR 3 DISCLOSURES

The company has documented the disclosure required by the Financial Conduct Authority under BIPRU 11 on pages 22 to 27 of the financial statements. The company makes Pillar 3 disclosures annually.

DIRECTORS INDEMNITY INSURANCE

The company has directors' indemnity insurance policy for the current and the previous year.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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


STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

The auditors, Stein Richards, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



F C De Tomasi - Director

26th March 2018

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
ALBEMARLE ASSET MANAGEMENT LIMITED

Opinion

We have audited the financial statements of Albemarle Asset Management Limited (the 'company') for the year ended 31st December 2017 which comprise the Statement of Income and Retained Earnings, Statement of Financial Position, Statement of Cash Flows and Notes to the Statement of Cash Flows, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 a Report of the Auditors 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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2017 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 Auditors' 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 were:

- 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 in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and 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, 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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
ALBEMARLE 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 or the Report of the Directors.

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 Statement of Directors' Responsibilities, 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

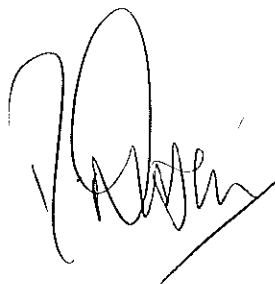
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Our 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 a Report of the Auditors 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Robert Nissen F.C.A. (Senior Statutory Auditor)
for and on behalf of Stein Richards
Chartered Accountants and Statutory Auditor
10 London Mews
Paddington
London
W2 1HY



26th March 2018

ALBEMARLE ASSET MANAGEMENT LIMITED (REGISTERED NUMBER: 04745029)

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31ST DECEMBER 2017

	Notes	31.12.17 £	31.12.16 £
TURNOVER	3	6,555,491	3,484,343
Cost of sales		<u>998,320</u>	<u>1,333,435</u>
GROSS PROFIT		5,557,171	2,150,908
Administrative expenses		<u>1,838,179</u>	<u>1,950,729</u>
		3,718,992	200,179
Other operating income		<u>12,000</u>	<u>29,000</u>
OPERATING PROFIT	6	3,730,992	229,179
Interest payable and similar expenses	7	<u>658</u>	<u>-</u>
PROFIT BEFORE TAXATION		3,730,334	229,179
Tax on profit	8	<u>733,221</u>	<u>52,926</u>
PROFIT FOR THE FINANCIAL YEAR		2,997,113	176,253
Retained earnings at beginning of year		178,694	1,382,441
Dividends	9	-	(1,380,000)
RETAINED EARNINGS AT END OF YEAR		<u>3,175,807</u>	<u>178,694</u>

The notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
31ST DECEMBER 2017

	Notes	31.12.17 £	£	31.12.16 £	£
FIXED ASSETS					
Tangible assets	10		1,603		14,723
Investments	11		<u>108,000</u>		<u>91,000</u>
			109,603		105,723
CURRENT ASSETS					
Debtors	12	906,573		1,256,380	
Cash at bank		<u>4,449,281</u>		<u>296,080</u>	
		5,355,854		1,552,460	
CREDITORS					
Amounts falling due within one year	13	<u>1,289,650</u>		<u>479,489</u>	
NET CURRENT ASSETS			<u>4,066,204</u>		<u>1,072,971</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,175,807</u>		<u>1,178,694</u>
CAPITAL AND RESERVES					
Called up share capital	16		950,000		950,000
Capital redemption reserve			50,000		50,000
Retained earnings			<u>3,175,807</u>		<u>178,694</u>
SHAREHOLDERS' FUNDS			<u>4,175,807</u>		<u>1,178,694</u>

The financial statements were approved and authorised for issue by the Board of Directors on 26th March 2018 and were signed on its behalf by:



F C De Tomasi - Director

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2017

	Notes	31.12.17 £	31.12.16 £
Cash flows from operating activities			
Cash generated from operations	1	4,224,115	(371,234)
Interest paid		(658)	-
Tax paid		<u>(52,926)</u>	<u>(227,127)</u>
Net cash from operating activities		<u>4,170,531</u>	<u>(598,361)</u>
 Cash flows from investing activities			
Purchase of tangible fixed assets		(330)	-
Purchase of fixed asset investments		<u>(17,000)</u>	<u>-</u>
Net cash from investing activities		<u>(17,330)</u>	<u>-</u>
 Cash flows from financing activities			
Equity dividends paid		<u>-</u>	<u>(1,380,000)</u>
Net cash from financing activities		<u>-</u>	<u>(1,380,000)</u>
 Increase/(decrease) in cash and cash equivalents		4,153,201	(1,978,361)
Cash and cash equivalents at beginning of year	2	296,080	2,274,441
 Cash and cash equivalents at end of year	2	<u><u>4,449,281</u></u>	<u><u>296,080</u></u>

The notes form part of these financial statements

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2017

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS		
	31.12.17	31.12.16
	£	£
Profit before taxation	3,730,334	229,179
Depreciation charges	13,450	20,799
Finance costs	658	-
	3,744,442	249,978
Decrease/(increase) in trade and other debtors	349,807	(115,279)
Increase/(decrease) in trade and other creditors	129,866	(505,933)
Cash generated from operations	<u>4,224,115</u>	<u>(371,234)</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31st December 2017

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	<u>4,449,281</u>	<u>296,080</u>

Year ended 31st December 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	<u>296,080</u>	<u>2,274,441</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

1. STATUTORY INFORMATION

Albemarle Asset Management Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Turnover

Fee income includes management fees, advisory and consultancy fees, performance fees and execution fees.

Management fees, execution fees and advisory fees are recognised in the accounting period in which the associated investment management services are provided.

Performance fees are recognised when the prescribed performance benchmarks have been achieved and it is probable that the fee will crystallise as a result.

Consultancy fees are recognised on a straight-line basis over the contract term.

Fees receivable are accounted for on an accruals basis.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold property	- over 5 years
Fixtures, Fittings & Equipment	- 20% straight line
Computer equipment	- 25% straight line

Financial instruments

All financial assets and liabilities are initially measured at transaction price, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value, unless the arrangement constitutes a financing transaction.

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to the local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2017

2. ACCOUNTING POLICIES - continued

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date. However deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position dates.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pension costs

The company operates a defined contributions plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in other creditors as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Rental income

Rental income is recognised on a straight line basis over the term of the lease.

Fixed asset investments

Fixed asset investments are valued at fair value. Changes in the fair value are recognised in profit and loss account.

Cash and cash equivalent

For the purpose of the cash flow statement, cash and cash equivalents comprises cash in hand and deposits held on call with the banks, all of which are available for use by the company unless otherwise stated.

Fair value measurement

The best evidence of fair value is a price for an identical asset in an active market. When prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2017

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	31.12.17 £	31.12.16 £
European Union	<u>6,555,491</u>	<u>3,484,343</u>
	<u>6,555,491</u>	<u>3,484,343</u>

4. EMPLOYEES AND DIRECTORS

	31.12.17 £	31.12.16 £
Wages and salaries	1,005,956	987,709
Social security costs	110,212	133,651
Other pension costs	<u>98,000</u>	<u>50,827</u>
	<u>1,214,168</u>	<u>1,172,187</u>

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

	31.12.17	31.12.16
Administration	8	9
Advisors	<u>2</u>	<u>2</u>
	<u>10</u>	<u>11</u>

The company operates a stakeholder defined contribution pension scheme for the benefit of the employees and a director. The assets of the scheme are administered by an independent pension provider. Pension payments recognised as an expense during the year amount to £98,000 (2016: £50,827).

Included in accruals are pension contributions totalling £50,000 (2016: £nil) payable at the year end.

The above disclosure includes the directors of the company.

5. DIRECTORS' EMOLUMENTS AND KEY MANAGEMENT COMPENSATION

	31.12.17 £	31.12.16 £
Directors' remuneration	<u>501,451</u>	<u>560,109</u>

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

Defined benefit schemes	<u>3</u>	<u>4</u>
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Information regarding the highest paid director is as follows:

	31.12.17 £	31.12.16 £
Emoluments etc.	<u>150,000</u>	<u>204,231</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2017

5. DIRECTORS' EMOLUMENTS AND KEY MANAGEMENT COMPENSATION - continued

The directors of the company are considered to be the key management personnel of the company. The benefits comprises of salary and bonuses earned during the current and the previous year.

6. OPERATING PROFIT

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

	31.12.17	31.12.16
	£	£
Depreciation - owned assets	13,450	20,800
Auditors' remuneration	13,735	12,370
Foreign exchange differences	(94,728)	89,624
Fees to Auditors' for accounting services	<u>4,675</u>	<u>11,965</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.12.17	31.12.16
	£	£
Interest on Taxes	<u>658</u>	<u>-</u>

8. TAXATION

Analysis of the tax charge

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

	31.12.17	31.12.16
	£	£
Current tax:		
UK corporation tax	<u>733,221</u>	<u>52,926</u>
Tax on profit	<u>733,221</u>	<u>52,926</u>

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.17	31.12.16
	£	£
Profit before tax	<u>3,730,334</u>	<u>229,179</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.250% (2016 - 20%)	718,089	45,836
Effects of:		
Expenses not deductible for tax purposes	13,611	4,203
Depreciation in excess of capital allowances	<u>1,521</u>	<u>2,887</u>
Total tax charge	<u>733,221</u>	<u>52,926</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2017

8. TAXATION - continued

Reductions in the UK corporation tax rate from 20% (effective from 1 April 2015) to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly.

In the Budget on 8 March 2017, the Chancellor announced additional planned reductions to 17% by April 2020.

9. DIVIDENDS

	31.12.17 £	31.12.16 £
Ordinary shares of £1 each		
Interim	<u>-</u>	<u>1,380,000</u>

10. TANGIBLE FIXED ASSETS

	Short leasehold property £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1st January 2017	63,691	40,952	47,288	151,931
Additions	<u>-</u>	<u>190</u>	<u>140</u>	<u>330</u>
At 31st December 2017	<u>63,691</u>	<u>41,142</u>	<u>47,428</u>	<u>152,261</u>
DEPRECIATION				
At 1st January 2017	54,663	37,586	44,959	137,208
Charge for year	<u>9,028</u>	<u>3,040</u>	<u>1,382</u>	<u>13,450</u>
At 31st December 2017	<u>63,691</u>	<u>40,626</u>	<u>46,341</u>	<u>150,658</u>
NET BOOK VALUE				
At 31st December 2017	<u>-</u>	<u>516</u>	<u>1,087</u>	<u>1,603</u>
At 31st December 2016	<u>9,028</u>	<u>3,366</u>	<u>2,329</u>	<u>14,723</u>

11. FIXED ASSET INVESTMENTS

Investments (neither listed nor unlisted) were as follows:

	31.12.17 £	31.12.16 £
Paintings	103,000	86,000
Antique books	<u>5,000</u>	<u>5,000</u>
	<u>108,000</u>	<u>91,000</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2017

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.17	31.12.16
	£	£
Trade debtors	777,225	1,067,418
Other debtors	34,338	66,259
VAT	25,750	19,742
Prepayments and accrued income	<u>69,260</u>	<u>102,961</u>
	<u><u>906,573</u></u>	<u><u>1,256,380</u></u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.17	31.12.16
	£	£
Trade creditors	269,819	214,387
Tax	733,221	52,926
Social security and other taxes	26,623	27,023
Other creditors	2,301	4,363
Dividends payable	-	6,500
Accrued expenses	<u>257,686</u>	<u>174,290</u>
	<u><u>1,289,650</u></u>	<u><u>479,489</u></u>

14. LEASING AGREEMENTS

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

	31.12.17	31.12.16
	£	£
Within one year	<u><u>101,138</u></u>	<u><u>55,146</u></u>

15. FINANCIAL INSTRUMENTS

The financial assets measured at amortised cost as at 31 December 2017 are in the sum of £811,563 (2016: £1,133,677).

The financial liabilities measured at amortised cost as at 31 December 2017 are in the sum of £529,806 (2016: £393,040).

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			
Number:	Class:	Nominal value:	
			31.12.17
			£
950,000	Ordinary	£1	<u><u>950,000</u></u>
			<u><u>950,000</u></u>

17. ULTIMATE PARENT COMPANY

At the balance sheet date, Alma Grand S.A., a company incorporated in Luxembourg, was the immediate and ultimate parent company of Albemarle Asset Management Limited for the current and the previous year

The ultimate controlling party is Mr. Umberto Borghesi by virtue of his shareholding in Alma Grand S.A.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2017

18. RELATED PARTY DISCLOSURES

During the year management, performance and retrocession fees of £5,469,866 (2016: £1,861,031) were receivable from a company in which a key management personnel is also a director. The balance owed to the company at the year-end is £259,340 (2016: £544,187).

During the year serviced office rent of £12,000 (2016: £24,000) and compliance fees of £nil (2016: £5,000) were receivable from a company in which a beneficial shareholder has a material interest. The balance owed to the company at the year-end is £nil (2016: £6,000).

Included in other debtors are interest free loans of £nil (2016: £26,411) given to the key management personnel of the company.

19. POST BALANCE SHEET EVENTS

The company paid a final dividend of £2.7979 per share relating to the financial year ended 31 December 2017 on 15 March 2018.

TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2017

	31.12.17		31.12.16	
	£	£	£	£
Turnover				
Performance fees	3,895,006		526,851	
Advisory fees and consultancy fees	47,397		79,059	
Management fees	2,547,861		2,878,433	
Execution Fees	<u>65,227</u>		<u>-</u>	
		6,555,491		3,484,343
Cost of sales				
Performance fees payable	157,024		50,171	
Commission payable	775,283		456,429	
Advisory fees	-		805,332	
Consultancy fees	-		21,503	
Research Fees	<u>66,013</u>		<u>-</u>	
		<u>998,320</u>		<u>1,333,435</u>
GROSS PROFIT		5,557,171		2,150,908
Other income				
Rents receivable	12,000		24,000	
Professional fees	<u>-</u>		<u>5,000</u>	
		<u>12,000</u>		<u>29,000</u>
		5,569,171		2,179,908
Expenditure				
Rent and rates	168,927		160,717	
Insurance	19,764		21,315	
Light and heat	5,178		3,788	
Directors' salaries	501,451		560,109	
Wages and salaries	504,505		427,600	
Employers NI	110,212		133,651	
Pensions	98,000		50,827	
Telephone and Internet service	6,417		7,128	
Printing, postage & stationery	6,732		11,509	
Data subscription services	126,492		88,731	
Repairs and renewals	57		332	
Cleaning	3,937		3,791	
Staff Welfare	8,428		7,564	
VAT on expenses	310		1,289	
General expenses	4,553		5,281	
Accountancy	4,675		11,965	
Recruitment costs	-		4,781	
Legal and Professional Fees	75,900		74,976	
Regulatory and compliance cost	101,043		49,624	
Auditors' remuneration	13,735		12,370	
Donations	100		30,000	
Foreign exchange (gains)/ losses	(94,728)		89,624	
Advertising and marketing	<u>-</u>		<u>9,488</u>	
Carried forward	1,665,688	5,569,171	1,766,460	2,179,908

This page does not form part of the statutory financial statements

TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 2017

	31.12.17		31.12.16	
	£	£	£	£
Brought forward	1,665,688	5,569,171	1,766,460	2,179,908
Entertainment	21,382		21,308	
Travelling expenses	35,186		36,160	
Computer support and maintenance	<u>99,651</u>		<u>102,489</u>	
		<u>1,821,907</u>		<u>1,926,417</u>
		3,747,264		253,491
Finance costs				
Bank charges	2,822		3,513	
Interest on Taxes	<u>658</u>		<u>-</u>	
		<u>3,480</u>		<u>3,513</u>
		3,743,784		249,978
Depreciation				
Short leasehold property	9,028		12,738	
Fixtures and fittings	3,040		3,787	
Computer equipment	<u>1,382</u>		<u>4,274</u>	
		<u>13,450</u>		<u>20,799</u>
NET PROFIT		<u><u>3,730,334</u></u>		<u><u>229,179</u></u>

PILLAR 3 RISK DISCLOSURE STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2017

The information provided on the pages twenty two to twenty seven are required to be disclosed in accordance with the rules adopted by the Financial Conduct Authority and does not form part of the audited financial statements.

Introduction and background

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. In the United Kingdom, the Directive has been implemented by the Financial Conduct Authority ('FCA') in its regulations through the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment firms ('BIPRU'). The FCA framework consists of three pillars:

- Pillar 1 set out the minimum capital amounts that meets the firm's credit, market and operational risk capital requirement;
- Pillar 2 requires the firm to assess whether its capital reserves, processes, strategies and systems are adequate to meet the Pillar 1 requirements and further determine whether it should apply additional capital, processes, strategies or systems to cover any other risks that it may be exposed to; and
- Pillar 3 requires disclosure of specified information about the underlying risk management controls and capital position to encourage market discipline.

The rules in BIPRU II set out the provision for Pillar 3 disclosures. This document is designed to meet the firm's Pillar 3 obligations.

The Pillar 3 disclosure document has been prepared by Albemarle Asset Management Limited ("The Firm") in accordance with the requirements of BIPRU II and is verified by the senior management. Unless otherwise stated, all figures are as at the financial year-end.

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

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

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

The firm have made no omissions on the grounds that it is immaterial, proprietary or confidential

Scope and application of the requirements

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

It is an investment management firm and as such has no trading book exposures.

The firm is not a member of a group and so is not required to prepare consolidated reporting for prudential purposes.

PILLAR 3 RISK DISCLOSURE STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

Risk management

The firm has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The Senior Management team takes overall responsibility for this process and the fundamental risk appetite of the firm. The team has responsibility for the implementation and enforcement of the firm's risk principles.

Senior Management meets on a regular basis and discusses current projections for profitability, cash flow, and business planning and risk management. Senior Management engage in the firm's risks through a framework of policy and procedures having regard to the 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 Senior Management team has identified that business, operational, market and credit are the main areas of risk to which the firm is exposed. Annually the Senior Management team formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness.

Management accounts demonstrate continued adequacy of the firm's regulatory capital and are reviewed on a regular basis.

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

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

Business risk

The firm's revenue is reliant on the performance of the existing funds under management and its ability to launch new funds/obtain new mandates. As such, the risk posed to the firm relates to underperformance resulting in a decline in revenue and adverse market conditions hindering the launch of new funds and ultimately the risk of redemptions from the funds managed by the firm. This risk is mitigated by the significant levels of capital held by the firm which will continue to cover all the expenses of the business.

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 systems failure, failure of a third party provider, potential for serious regulatory breaches, and market abuse. Appropriate policies are in place to mitigate against these risks, which includes taking out adequate professional indemnity insurance, compliance training for employees and business continuity planning.

Credit risk

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

Management fees are drawn monthly or quarterly from the funds managed and performance fees are drawn quarterly or annually where applicable. The firm considers that there is little risk of default by its clients. All bank accounts are held with large international credit institutions.

Given the nature of the firm's exposures, no specific policy for hedging and mitigating credit risk is in place. The firm uses the simplified standardised approach detailed in BIPRU 3.5.5 of the FCA Handbook when calculating risk weighted exposures of 1.6% (Cash in Bank) and 8% in respect of its other assets.

PILLAR 3 RISK DISCLOSURE STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2017

Market risk

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

Since the firm takes no trading book positions on its balance sheet, the primary market risk relates to fluctuations in the value of its revenues due to movements in currency rates. The firm maintains multi-currency bank accounts and uses currency contracts to hedge this risk.

The firm calculates its foreign exchange risk by reference to the rules in BIPRU 7.5.1 of the FCA Handbook and applies an 8% risk factor to its foreign exchange exposure.

Liquidity risk

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

The firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under normal business conditions. The firm has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits it holds. Additionally, it has historically been the case that all management fee debtors are settled promptly, thus ensuring further liquidity resources are available to the firm on a timely basis. The cash position of the firm is monitored by the Senior Management on a monthly basis.

The firm maintains a liquidity risk policy which formalises this approach.

Regulatory Capital

The main features of the firm's capital resources for regulatory purposes are as follows as at 31 December 2017:

Capital item	£'000s
Tier 1 Capital	480
Tier 2 Capital	0
Tier 3 Capital	0
Total capital resources requirement	480

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

The firm is not required to calculate an operational risk capital charge though it considers this as part of its process to identify the level of risk based capital required.

As discussed above the firm is a limited licence firm and as such its capital requirements are:

- Its base capital requirement of Euro 50,000
- The sum of the market and credit risk requirements
- Its Fixed Overhead Requirements ('FOR')

The FOR is calculated, in accordance with FCA rules, based on the firm's previous years audited expenditure. The firm has adopted the standardised approach to credit and market risk and the above figures have been produced on that basis. The firm is not subject to an operational risk requirement.

PILLAR 3 REMUNERATION CODE STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2017

Introduction

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

The firm's policy is designed to ensure that the firm comply with the RemCode and the firm's compensation arrangements:

- are consistent with and promotes sound and effective risk management;
- do not encourage excessive risk taking;
- include measures to avoid conflicts of interest; and
- are in line with the firm'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 3 tiers. The firm falls within the FCA's third proportionality tier and as such this disclosure is made in line with the requirements for a Level three proportionality firm.

Application of the requirements

The firm is required to disclose certain information on at least an annual basis regarding the firm remuneration policy and practices for those staff whose professional activities have a material impact on the risk profile of the firm.

The firm's disclosure is made in accordance with our size, internal organisation and the nature, scope and complexity of the firm's activities.

The firm's policy has been agreed by the Senior Management in line with the RemCode principles laid down by the FCA.

Due to the size, nature and complexity of the firm, the firm is not required to appoint an independent remuneration committee.

The firm's policy will be reviewed as part of annual process and procedures, or following a significant change to the business requiring an update to its internal capital adequacy assessment.

The firm's ability to pay bonus is based on the performance of firm overall and derived after the fund's managed returns have been calculated by client appointed third party administrators.

Individuals are rewarded based on their contribution to the overall strategy of the business as follows.

- Investment generation.
- Investment trading.
- Sales and Marketing.
- Operations.

PILLAR 3 REMUNERATION CODE STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2017

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

In accordance with CRD III and CEBS guidance the firm takes a proportionate approach to its Remuneration Code disclosures in line with the nature, scale and complexity of the firm and as such has chosen not to disclose exact remuneration figures in regards to the remuneration of the four Code Staff identified by the firm's Policy. Furthermore, all discretionary remuneration is directly related to the performance of managed entities and as such staff interests are intrinsically aligned with the interest of the firm and its client's vis-à-vis remuneration and performance.

The firm may omit required disclosures where it believes that the information could be regarded as prejudicial to the United Kingdom or other national transposition of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

We have made no omissions on the grounds of data protection.

PILLAR 3 STEWARDSHIP CODE STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2017

Introduction

As a firm authorised and regulated by the Financial Conduct Authority ('FCA'), Albemarle Asset Management Limited is required to either disclose its compliance with or explain its non-compliance with the principles set out in the United Kingdom Financial Reporting Council's Stewardship Code (the "Stewardship Code").

The Code is a voluntary code and sets out a number of principles relating to engagement by investors with the United Kingdom equity issuers. Investors that commit to the Code can either comply with it in full or choose not to comply with aspects of the Code, in which case they are required to explain their non-compliance.

Albemarle Asset Management Limited manages assets across a number of discretionary strategies; however the investment processes do not involve significant engagement with underlying investee companies in any of these strategies.

While the firm generally supports the objectives that underlie the Code, the firm has chosen not to commit to the Code.