Bainbridge Partners LLP

Members' report and financial statements

for the year ended 31 March 2018

Registered number: OC341436

Information

Designated Members	A B Haddad Bainbridge (UK) Services Limited
LLP registered number	OC341436
Registered office	Montpelier House 106 Brompton Road 5th Floor London SW3 1JJ
Independent auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL

Contents

Members' report
for the year ended 31 March 2018

The members present their annual report together with the audited financial statements of Bainbridge Partners LLP ('the LLP') for the year ended 31 March 2018.

Principal activities

The principal activity of the LLP during the year was acting as an investment manager and advisor.

Review of business and future developments

The members are satisfied with the results for the year and expect growth in the future.

Designated members

The designated members during the year were as follows:

A B Haddad
Bainbridge (UK) Services Limited

Members' capital and drawings

During the year, the members contributed capital of £nil (2017: £150,000) to the LLP. Members may be permitted to contribute additional capital at the LLP's discretion. No member may be required by the LLP to contribute additional capital.

The members may only withdraw capital contributions at the sole discretion of the LLP, and therefore the capital contributed is classified as equity.

Each member is permitted to take drawings in anticipation of the profits of the LLP, subject to the approval of the LLP. If the cash requirements of the LLP's business conflict with the allowance of cash drawings, therefore, the LLP may decline the payment of advance drawings.

Members' report (continued)
for the year ended 31 March 2018

Members' responsibilities statement

The members are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law, as applied to LLPs, requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law, as applied to LLPs, 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 LLP and of the profit of the LLP for that period.

In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 LLP will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and to enable them to ensure that the financial statements comply with the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008). They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the members on 20 July 2018 and signed on their behalf by:

A B Haddad
Designated member

Buzzacott
CHARTERED ACCOUNTANTS

Independent auditor's report to the members of Bainbridge Partners LLP
for the year ended 31 March 2018

Opinion

We have audited the financial statements of Bainbridge Partners LLP (the 'LLP') for the year ended 31 March 2018, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Reconciliation of members' interests and the related notes, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the LLP's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to limited liability partnerships by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Basis for opinion

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

Conclusions relating to going concern

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

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the LLP'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 members are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent auditor's report to the members of Bainbridge Partners LLP (continued)
for the year ended 31 March 2018

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, as applied to limited liability partnerships, 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
- we have not received all the information and explanations we require for our audit.

Responsibilities of members

As explained more fully in the Members' responsibilities statement on page 1, the members 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 members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the LLP'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 members either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the LLP's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied by Part 12 of The Limited Liability Partnerships (Accounts and Audit) (Applications of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP.

David Jarman (Senior statutory auditor)
for and on behalf of
Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

20 July 2018

Statement of comprehensive income
for the year ended 31 March 2018

	Note	2018 £	2017 £
Turnover	4	**3,125,653**	3,348,474
Gross profit		**3,125,653**	3,348,474
Administrative expenses		**(2,760,876)**	(3,183,474)
Operating profit	5	**364,777**	165,000
Profit for the year before members' remuneration and profit shares available for discretionary division among members		**364,777**	165,000

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 or 2017.

The notes on pages 9 to 14 form part of these financial statements.

Statement of financial position
as at 31 March 2018

	Note		2018 £		2017 £
Current assets					
Debtors: amounts falling due within one year	8	**623,961**		373,248	
Cash at bank and in hand	9	**622,263**		1,175,603	
		1,246,224		1,548,851	
Creditors: amounts falling due within one year	10	**(20,751)**		(20,649)	
Net current assets			**1,225,473**		1,528,202
Net assets			**1,225,473**		1,528,202
Represented by:					
Loans and other debts due to members within one year					
Other amounts	12		**400,473**		703,202
Members' other interests					
Members' capital classified as equity			**825,000**		825,000
			1,225,473		1,528,202
Total members' interests					
Loans and other debts due to members	12		**400,473**		703,202
Members' other interests			**825,000**		825,000
			1,225,473		1,528,202

The financial statements were approved and authorised for issue by the members and were signed on their behalf on 20 July 2018.

A B Haddad
Designated member

The notes on pages 9 to 14 form part of these financial statements.

Reconciliation of members' interests
for the year ended 31 March 2018

			Equity		Debt	Total members' interests
		Members' other interests		Loans and other debts due to members less any amounts due from members in debtors		
	Members' capital (classified as equity) £	Other reserves £	Total £	Other amounts £	Total £	Total £
Amounts due to members				544,585	544,585	
Balance at 1 April 2016	680,000	-	680,000	544,585	544,585	1,224,585
Profit for the year available for discretionary division among members	-	165,000	165,000	-	-	165,000
Members' interests after profit for the year	680,000	165,000	845,000	544,585	544,585	1,389,585
Allocated profit for the year	-	(165,000)	(165,000)	165,000	165,000	-
Amounts introduced by members	150,000	-	150,000	-	-	150,000
Repayment of capital	(5,000)	-	(5,000)	-	-	(5,000)
Amount withdrawn by members	-	-	-	(161,859)	(161,859)	(161,859)
Other movements	-	-	-	155,476	155,476	155,476
Amounts due to members				703,202	703,202	
Balance at 31 March 2017	825,000	-	825,000	703,202	703,202	1,528,202
Profit for the year available for discretionary division among members	-	364,777	364,777	-	-	364,777
Members' interests after profit for the year	825,000	364,777	1,189,777	703,202	703,202	1,892,979
Allocated profit for the year	-	(364,777)	(364,777)	364,777	364,777	-
Amounts withdrawn by members	-	-	-	(283,328)	(283,328)	(283,328)
Other movements	-	-	-	(384,178)	(384,178)	(384,178)
Amounts due to members				400,473	400,473	
Balance at 31 March 2018	825,000	-	825,000	400,473	400,473	1,225,473

The notes on pages 9 to 14 form part of these financial statements.

The members are only permitted to reduce the amount of 'Members' other interests' at the LLP's sole discretion.

Statement of cash flows
for the year ended 31 March 2018

	2018	2017
	£	£
Cash flows from operating activities		
Profit for the financial year	**364,777**	165,000
Adjustments for:		
(Increase)/decrease in debtors	**(250,715)**	225,997
Increase in creditors	**103**	2,866
Other transactions with members	**(384,177)**	155,476
Net cash generated from operating activities before transactions with members	**(270,012)**	549,339
Cash flows from financing activities		
Members' capital contributed	**-**	150,000
Members' capital repaid	**-**	(5,000)
Distribution paid to members	**(283,328)**	(161,859)
Net cash used in financing activities	**(283,328)**	(16,859)
Net (decrease)/increase in cash and cash equivalents	**(553,340)**	532,480
Cash and cash equivalents at beginning of year	**1,175,603**	643,123
Cash and cash equivalents at the end of year	**622,263**	1,175,603
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**622,263**	1,175,603
	622,263	1,175,603

Notes to the financial statements
for the year ended 31 March 2018

1. Company information

Bainbridge Partners LLP is a Limited Liability Partnership in England & Wales. The registered office is Montpelier House, 106 Brompton Road, 5th Floor, London, SW3 1JJ. The registered number is OC341436.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006 and the requirements of the Statement of Recommended Practice "Accounting by Limited Liability Partnerships".

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the LLP's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Turnover

Turnover represents income derived from the LLP's principal activity of providing investment management and sub advisory services, net of Value Added Tax (VAT).

2.3 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.4 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Notes to the financial statements

for the year ended 31 March 2018

2. Accounting policies (continued)

2.5 Financial instruments

The LLP only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in profit or loss.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the LLP would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.6 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the financial statements
for the year ended 31 March 2018

2. Accounting policies (continued)

2.7 Foreign currency transactions

Functional and presentation currency

The LLP's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The Members do not consider that there were any significant areas of estimation uncertainty or application of judgement.

4. Analysis of turnover

An analysis of turnover by class of business is as follows:

	2018	2017
	£	£
Investment management and advisory fees	**3,125,653**	3,348,474

All turnover arose within the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2018	2017
	£	£
Exchange differences	**21,401**	54,242

Notes to the financial statements
for the year ended 31 March 2018

6. Auditor's remuneration

	2018 £	2017 £
Fees payable to the LLP's auditor and its associates for the audit of the LLP's annual accounts	**9,000**	8,500
	9,000	8,500
Fees payable to the LLP's auditor and its associates in respect of:		
Other services relating to taxation	**1,675**	1,675
Other assurance services	**1,000**	1,000
All other services	**15,385**	13,500

7. Information in relation to members

	2018 No.	2017 No.
The average number of members during the year was	**3**	2

The amount of profit attributable to the member with the largest entitlement was £200,000 (2017: £165,000)

8. Debtors

	2018 £	2017 £
Trade debtors	**610,908**	347,042
Other debtors	**3,644**	2,884
Prepayments and accrued income	**9,409**	5,409
Financial instruments at fair value through profit or loss	**-**	17,913
	623,961	373,248

9. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	**622,263**	1,175,603

Notes to the financial statements
for the year ended 31 March 2018

10. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	**8,751**	4,899
Accruals and deferred income	**12,000**	15,750
	20,751	20,649

11. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets measured at fair value through profit or loss	**622,263**	1,193,516
Financial assets that are debt instruments measured at amortised cost	**610,911**	347,042
	1,233,174	1,540,558
Financial liabilities		
Financial liabilities measured at amortised cost	**(20,752)**	(20,649)

Financial assets measured at fair value through profit or loss comprise cash and bank in hand and foreign currency forward contracts.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors and accruals.

12. Loans and other debts due to members

	2018 £	2017 £
Amounts due to members	**400,473**	703,202

All amounts due to members were due within one year at 31 March 2018 and 31 March 2017.

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

Notes to the financial statements
for the year ended 31 March 2018

13. Contingent liabilities

There were no contingent liabilities at 31 March 2018 or 31 March 2017.

14. *Capital commitments*

The LLP had no capital commitments at 31 March 2018 or 31 March 2017.

15. Related party transactions

During the year, Bainbridge (UK) Services Limited charged the LLP £2,692,242 (2017: £3,010,447) in relation to administration costs. At 31 March 2018 £233,999 (2017: £618,400) remained payable to Bainbridge (UK) Services Limited.

Bainbridge (UK) Services Limited is considered to be a related party by virtue of common ultimate control.

Key management personnel compensation
Certain members of the LLP who have authority and responsibility for planning, directing and controlling the activities of the LLP are considered to be key management personnel. Total compensation in respect of these individuals is £200,000 (2017: £165,000).

16. Controlling party

During the year ended 31 March 2018, the ultimate controlling party was Mr Antoine Haddad by virtue of his majority holding of voting rights of the LLP.

Introduction

Bainbridge Partners LLP "the Firm" sets out below its Pillar 3 disclosure in accordance with the FCA's "Prudential Sourcebook for Banks, Building Societies and Investment Firms" (BIPRU), specifically BIPRU 11.3.3 R. The Capital Requirements Directive (Basel II) came into force on 1st January 2007 and introduced rules requiring the Firm to assess the adequacy of its capital resources in light of the risks they faced by its business in order to ensure the continued protection of clients and underlying investors.

- Frequency

  The Firm will make its Pillar 3 disclosures on an annual basis in line with the Firm's financial year end.

- Media and Location

  It is intended that the disclosure will be made in the notes to the annual financial statements.

- Materiality

  Information which by its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions is deemed by the Firm to be material for the purposes of these disclosures. If the Firm deems a certain disclosure to be immaterial, it may be omitted from this statement.

- Confidentiality

  Information, the sharing of which with the public would undermine its competitive position, will be deemed to be proprietary information. Such proprietary information may include information on products or systems which, if shared with competitors, would render the Firm's investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality. In the event that any such information is omitted, the Firm will disclose that fact and explain the grounds on which it has been decided that it should be excluded from the disclosures.

Summary

The CRD requirements comprise three pillars:

- Pillar 1 addresses the Firm's minimum capital requirements;
- Pillar 2 concerns the Firm's Internal Capital Adequacy Assessment Process ("ICAAP"). This is undertaken by the firm and may be subject to a Supervisory Review and Evaluation Process through which the Firm and regulator satisfy themselves on the adequacy of capital held by the Firm in relation to the risks it faces; and
- Pillar 3 is concerned with the public disclosure of risk management policies, capital resources and capital requirements. The regulatory aim of these disclosures is to improve market discipline.

FCA Pillar 3 Disclosures
for the year ended 31 March 2018

Bainbridge Partners LLP introduction

Bainbridge Partners LLP is an investment management firm. The Firm is a limited liability partnership incorporated in the UK, and is authorised and regulated by the Financial Conduct Authority. The Firm is categorised under the BIPRU section of the FCA's Handbook as a "BIPRU €50k limited licence" firm.

The Firm advises on a range of fund of hedge fund products, quantitative trading strategies and client accounts. It does not hold client money and consequently the principal protection afforded to clients of the Firm is derived from the third party client money arrangements.

Risk Management

The Firm is governed by its Partners who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Firm's governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces.

The Partners also determine how the risk the business faces may be mitigated and assess on an on-going basis the arrangements to manage those risks. The Partners meet on a regular basis with senior staff and discuss current projections for profitability and cash flow, along with the regulatory capital management, business planning and risk management. The Partners manage the Firm's risks business though 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.

The Partners have identified that operational and business risk are the main areas of risk to which the Firm is exposed. During the period, the Firm considered its market and credit risk to being limited.

On an annual basis, the Partners formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness. Where the Partners 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.

Business Risk

The main risk the Firm faces is an event leading to a significant fall in the level of assets under management. The Firm's revenue is reliant on the performance of the existing funds and its ability to launch new funds and obtain new mandates. As such, the risk posed to the Firm relates to underperformance of the current products due to adverse market conditions, causing the risk of redemptions from funds managed by the Firm, resulting in a decline in revenue. In the fund of hedge funds product range that Bainbridge advises on, Bainbridge will minimise its risk of underperformance through holding a diversified portfolio of hedge funds invested in. Managers will be selected because of their ability to generate alpha (especially relative to the category of hedge funds they belong to). Bainbridge is very conscious of the liquidity and volatility biases that each addition to the portfolio can create, and monitors those biases closely. In the event of significant falls in revenues the Partners are confident that with the existing high levels of capital held by it, the Firm should continue to cover all the expenses of the business. Through diversification of its product offering, Bainbridge looks to minimise any concentration risk arising from revenues by diversifying its product base.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or resulting from external events. 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. These relate to the outsourcing of investment accounting, transfer agency and various middle/ back office functions. Appropriate polices are in place to mitigate these risks, including undertaking both onsite and desk based monitoring and the on-going review of risk indicators, errors and incidents.

The risk of loss of key investment staff is mitigated by the cross training of staff and extended notice periods for key personnel.

Credit Risk

Credit risk is the risk that a party will default on a financial agreement. The Firm is exposed to credit risk as follows:

- Fund management and performance fees due from unregulated collective investment schemes ('USIC')
- UK authorised banks in relations to deposits held with them

The risks are mitigated by:

- Performing credit checks and completing due diligence checks at the outset of entering into material contracts;
- Periodic monitoring of the financial strength of the credit institution with whom the Firm maintains its bank accounts;
- Contractual arrangements in relation to the payment of management fees and monitoring payments against agreed payment schedules, with management fees being drawn monthly and performance fees drawn quarterly as applicable.

Market Risk

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

The risk is mitigated by keeping the size of the debtor balance under regular review and placing EURGBP and USDGBP forwards in proportion to the USD and EUR fee incomes.

Cash balances are maintained in GBP, USD and EUR. The EUR and USD accounts are used effectively for receiving EUR and USD denominated fees and managing the FX transactions into the Firm's GBP account.

Regulatory Capital

Bainbridge Partners LLP is a Limited Liability Partnership and its capital arrangements are established in its Partnership agreement. As at 31 March 2018 the Firm held regulatory capital resources of £825,000.

Pillar 1

The Firm is a limited licence firm, and as such its capital requirements are the greater of:

- It's base capital requirement of €50,000;
- The sum of its market and credit risk requirements; or
- Its fixed overhead requirement ("FOR").

At 31 March 2018 the Firm's Pillar 1 requirement was £678,674. This has been determined with reference to the Firm's FOR and calculated in accordance with the FCA's General Prudential Sourcebook ("GENPRU"). The requirement is based on the FOR since at all times this exceeds the total of the credit and market risk requirements it faces 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, allowable commission and fees and other variable expenditure. 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 the Financial Controller and reported to the Partners on a periodic basis.

Pillar 2

Satisfaction of capital requirements

The Firm's ICAAP (Pillar 2) process has identified capital to be held over and above the Pillar 1 requirement. The addition capital resources requirement arising from the firm's cost to close analysis and therefore considered adequate to continue to finance the Firm over the next year. The Firm Tier 1 Capital increased to £825,000 during the fiscal year. Going forward, the Firm forecasts both growth in new strategies and to remain profitable. Given the current buffer between both the FOR and Capital and cost to close and Capital, the Firm considers there to be sufficient capacity to absorb potential increases to the cost base and associated increases to the FOR in the coming year.

Capital Resources at 31 March 2018

	£'000
Tier 1 Capital	**825**
Tier 2 Capital	**0**
Tier 3 Capital	**0**
Total Capital Resources	**825**
Pillar 2 Requirement	**679**
Surplus over Capital Requirements	**146**

FCA Pillar 3 Disclosures
for the year ended 31 March 2018

Pillar 3

Remuneration Policy

The FCA has amended the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU), and specifically BIPRU 11, to now include a requirement for disclosure of the Firm's approach to linking remuneration to risk.

The Firm feels that its Remuneration Policy appropriately addresses potential conflicts of interest and the Firm's authorised persons are not rewarded for taking inappropriate levels of risk. Under the Remuneration Code, the Firm is classified as a Level Three Firm, which allows the Firm to dis-apply many of the technical requirements of the Code and proportionately apply the Code's rules and principles in establishing the Firm's policy. In formalising the Remuneration Policy, the Firm relied on established systems and controls already in use. Remuneration shall be based on competitive market-based wages that fairly compensate employees in view of skills provided, work performed and responsibility undertaken. Overall remuneration will also include an annual incentive compensation reflecting individual performance and responsibility, both short-term and long-term, as well as the firm's overall performance.

The Remuneration Policy has been agreed by the Board and will be reviewed annually in line with the Remuneration Code procedures. Our disclosure is made in accordance with our size, internal organisation and the nature, scope and complexity of our activities.

The Aggregate Remuneration paid to Bainbridge Partners LLP Code Staff for the year ended 31st March 2018 was £643,750.