
Registered No. OC304607

PAAMCO Prisma Europe LLP

**Members' report and Financial Statements
for the year ended 31 December 2018**



REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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REGISTERED OFFICE AND PROFESSIONAL ADVISORS

Designated Members

PAAMCO Prisma, LLC

PAAMCO UK Holdings LLC (Appointed 31 December 2018)

Elizaveta Fridman (Resigned 30 September 2018)

Stephen Oxley (Resigned 31 December 2018)

Auditors

Grant Thornton UK LLP

30 Finsbury Square

London

EC2A 1AG

Bankers

Barclays Bank PLC

Marble Arch Corp Banking Group

P.O. Box 32016

London

NW1 2ZH

Registered Office

25 Victoria Street

London

SW1H 0EX

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Members' report

The members present their annual report together with the financial statements of the partnership for the year ended 31 December 2018.

Business overview and principal activities

PAAMCO Prisma Europe LLP was established in 2003. PAAMCO Prisma Europe LLP is authorised and regulated by the Financial Conduct Authority, registered with the Securities and Exchange Commission ("SEC") as a relying advisor and classified as a BIPRU €50,000 limited license firm. PAAMCO Prisma Europe LLP is a 99.55% owned subsidiary of PAAMCO Prisma, LLC (PAAMCO Prisma, LLC) which is headquartered in Irvine, California, USA. PAAMCO Prisma, LLC is a fund of hedge funds investment manager that constructs, monitors and manages portfolios of hedge funds and provides investment services to institutional investors globally. PAAMCO Prisma Europe LLP provides manager research and European marketing of PAAMCO Prisma, LLC funds. PAAMCO Prisma Europe LLP also provides services for investment research, trade facilitation and execution, daily trade reconciliation, and other miscellaneous client services and support to PAAMCO Prisma, LLC. PAAMCO Prisma Europe LLP is currently staffed with 8 people. PAAMCO Europe's sole client is the parent company which currently manages approximately \$6.6 billion in discretionary assets under management. PAAMCO Prisma, LLC is registered with the SEC and with the Commodities Futures Trading Commission ("CFTC") and is a member of the National Futures Association.

The partnership's performance for the year is contained in the results and distributions section below.

Results and distributions

The results for the year are shown in the profit and loss account on page 10. The partnership's balance sheet as detailed on page 11 shows a satisfactory position with members' interests amounting to \$983,174 (2017 \$1,537,931).

Principal risks and uncertainties

The principal risks and uncertainties faced by PAAMCO Prisma Europe LLP are described below:

- market – the risk of loss of European, Middle East and Africa (EMEA) clients due to movements in financial markets or significant changes in regulatory regimes of countries where PAAMCO Prisma Europe LLP conducts marketing activities;
- regulatory – as a regulated business in the UK, new regulations may impose undue pressure on the partnership's infrastructure;
- concentration – with a sole client there could be risk if PAAMCO Prisma, LLC decides to close PAAMCO Prisma Europe LLP for business reasons.

The senior management of PAAMCO Prisma Europe LLP and PAAMCO Prisma, LLC are responsible for the overall stewardship of the LLP. The senior management of PAAMCO Prisma Europe LLP are involved in the day to day management of the firm, which includes identifying, responding to risks including those risks posed by Brexit. The members seek to mitigate and manage each of these risks through continual review and policy setting.

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Key performance indicators

The LLP uses a number of performance measures to assess its success in meeting its objectives that include:

- EMEA assets under management by PAAMCO Prisma, LLC; and
- profitability – the current year's results are reported in the results and distributions section above.

Members' profit allocation

Any profits are shared among the members and governed by the Partnership Agreement most recently dated 31 December 2018 with effect from 31 December 2018.

Policy for members' drawings, subscriptions and repayment of members' capital

The Partnership Agreement dated 31 December 2018 governs policies for members' drawings, subscriptions and repayment of members' capital.

Designated Members

The designated members of the LLP during the period were as follows:

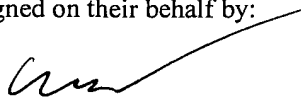
PAAMCO Prisma, LLC

PAAMCO UK Holdings LLC (Appointed 31 December 2018)

Elizaveta Fridman (Resigned 30 September 2018)

Stephen Oxley (Resigned 31 December 2018)

This Members' Report was approved by the Designated Members on 24 April 2019 and signed on their behalf by:



Maximiliaan Rijkenberg

Authorized Signatory on behalf of PAAMCO UK Holdings LLC, Designated Member

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Members' Responsibilities Statement for the Financial Statements

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under the law the members have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing those financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership will continue in business.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the limited liability partnership and enable them to ensure that the financial statements comply with the 2008 Regulations. They are also responsible for safeguarding the assets of the limited liability partnership, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

The members confirm that:

- so far as each member is aware there is no relevant audit information of which the LLP's auditor is unaware; and
- the members have taken all steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 as modified by the Limited Liability Partnerships Regulations 2008 unless the partnership receives notice under section 488(1) of the Companies Act 2006 as modified by the Limited Liability Partnerships Regulations 2008.

Maximiliaan Rijkenberg

Authorized Signatory on behalf of PAAMCO UK Holdings LLC, Designated Member

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Independent auditor's report to the members of PAAMCO Prisma Europe LLP

Opinion

We have audited the financial statements of PAAMCO Prisma Europe LLP (the 'limited liability partnership') for the year ended 31 December 2018, which comprise the profit and loss account, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 limited liability partnership's affairs as at 31 December 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.

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 limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the 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 limited liability partnership'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.

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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.

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 for the financial statements

As explained more fully in the members' responsibilities statement set out on page 6, 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 limited liability partnership'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 limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

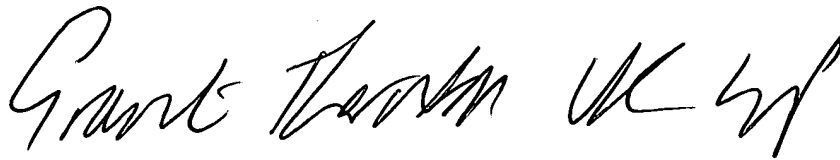
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership'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

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accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Grant Thornton UK LLP'.

David Pearson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
24th April 2019

Profit and loss account**For the year ended 31 December 2018**

		2018	2017
		\$	\$
	Notes		
Turnover	3		
Marketing fees		-	223,807
'Cost plus' revenue from controlling party		6,009,564	7,074,792
Other		361,378	566,687
		<u>6,370,942</u>	<u>7,865,286</u>
Expenses			
Administration expenses		(4,876,108)	(6,048,465)
Operating profit	4	<u>1,494,834</u>	<u>1,816,821</u>
Interest receivable		3,237	14
Profit for the financial year before members' remuneration and profit shares		<u>1,498,071</u>	<u>1,816,835</u>
Members' remuneration charged as an expense		(587,132)	(252,888)
Profit for the financial year available for discretionary division among members	11	<u><u>910,939</u></u>	<u><u>1,563,947</u></u>

There are no recognised gains or losses in the period other than those reported in the profit and loss account. All amounts are in respect of continuing operations.

The notes on pages 14 to 22 form an integral part of these Financial Statements.

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Balance sheet

as at 31 December 2018

	Notes	2018 \$	2017 \$
Fixed Assets			
Tangible fixed assets	7	64,065	82,979
Current Assets			
Debtors and prepayments	8	712,315	195,655
Amounts due from members	11	1,448,612	963,121
Cash		231,887	534,859
		<u>2,392,814</u>	<u>1,693,635</u>
Current Liabilities			
Creditors falling due within one year	9, 13	<u>(1,198,869)</u>	<u>(238,683)</u>
Net Current Assets		1,193,945	1,454,952
Creditors falling due in more than one year	9	(274,836)	-
NET ASSETS ATTRIBUTABLE TO MEMBERS		<u>983,174</u>	<u>1,537,931</u>
REPRESENTED BY:			
Loans and other debts due to members within one year:			
Members' capital classified as a liability	11	342,855	342,855
Other amounts	11	-	621,054
		<u>342,855</u>	<u>963,909</u>
Members' other interests:			
Members' other interests – other reserves classified as equity	11	640,319	574,022
		<u>983,174</u>	<u>1,537,931</u>
TOTAL MEMBERS' INTERESTS:			
Loans and other debts due to members		342,855	963,909
Members' other interests	11	640,319	574,022
Amounts due from members	11	<u>(1,448,612)</u>	<u>(963,121)</u>
		<u>(465,438)</u>	<u>574,810</u>

The financial statements were approved by the Designated members on 24 April 2019 and signed on their behalf by:



Maximiliaan Rijkenberg

Authorized Signatory on behalf of PAAMCO UK Holdings LLC, Designated Member

The notes on pages 14 to 22 form an integral part of these Financial Statements.

Statement of cash flows

for the year ended 31 December 2018

		2018	2017
		\$	\$
	Notes		
Net cash inflow from operating activities	12	1,677,799	1,241,868
Returns on investments and servicing of finance			
Interest received		3,237	14
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets		(84)	(36,967)
Transactions with members			
Drawings		(2,006,811)	(1,078,379)
Increase / (Decrease) in cash		(325,859)	126,536

Reconciliation of net cash flow to movement in net funds

	2018	2017
	\$	\$
Decrease in cash in the period	(325,859)	126,536
Translation difference	22,886	94,994
Net funds at start of period	534,859	313,329
Net funds at 31 December	231,886	534,859

The notes on pages 14 to 22 form an integral part of these Financial Statements.

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Notes to the Financial Statements

for the year ended 31 December 2018

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, the Statement of Recommended Practice ("SORP"), Accounting by Limited Liability Partnerships, revised in March 2010, and the terms of the LLP's Membership Agreement. The financial statements are presented in United States dollars.

Foreign Currency Transactions

The functional currency is the United States dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At the end of each reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss.

Fixed assets

All fixed assets are stated at cost less accumulated depreciation and provision for impairment.

Depreciation

Depreciation is provided on all tangible fixed assets on a straight-line basis as below:

Computer hardware	5 years
Computer software	3 years
Office equipment	5 years
Furniture	7 years
Leasehold Improvements	The remainder of the lease or 10 years, whichever is smaller

Leased assets

Rentals payable under an operating lease, after taking into account reduced rent periods, are charged to the profit and loss account on a straight line basis over the term of the lease.

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Notes to the Financial Statements

for the year ended 31 December 2018

Taxation

No provision for taxation is made as any liability arising is assessable directly on the members.

Members' participation rights

Members' participation rights are the rights of a member against the LLP that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed, remuneration and profits).

Members' participation rights in the earnings or assets of the LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with FRS 102. A member's participation right results in a liability unless the right to any payment is discretionary on the part of the LLP.

Amounts subscribed or otherwise contributed by members, for example members' capital, are classed as equity if the LLP has an unconditional right to refuse payment to members. If the LLP does not have such an unconditional right, such amounts are classified as liabilities.

Where profits are automatically divided as they arise, so the LLP does not have an unconditional right to refuse payment, the amounts arising that are due to members are in the nature of liabilities. They are therefore treated as an expense in the Profit and Loss Account in the relevant year. To the extent that they remain unpaid at the year end, they are shown as liabilities in the Balance Sheet.

Conversely, where profits are divided only after a decision by the LLP or its representative, so that the LLP has an unconditional right to refuse payment, such profits are classed as an appropriation of equity rather than as an expense. They are therefore shown as a residual amount available for discretionary division among members in the Profit and Loss Account and are equity appropriations in the Balance Sheet.

Other amounts applied to members, for example remuneration paid under an employment contract and interest on capital balances, are treated in the same way as all other divisions of profits, as described above, according to whether the LLP has, in each case, an unconditional right to refuse payment.

All amounts due to members that are classified as liabilities are presented in the Balance Sheet within 'Loans and other debts due to members'. Amounts due to members that are classified as equity are shown in the Balance Sheet within 'Members' other interests'.

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Notes to the Financial Statements

for the year ended 31 December 2018

Going concern

The partnership's business activities, together with the factors likely to affect its future development, principal risks and financial risk management are set out in the Members' Report on page 4.

The partnership has considerable financial resources and as a consequence, the partners believe that the partnership is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The partners have a reasonable expectation that the partnership has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Key judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods. No key judgements, estimates or assumptions have been identified.

3. Turnover

Turnover, which is stated net of Value Added Tax, is derived from several sources:

- research services, trading, internal audit and internal control services provided to PAAMCO Prisma, LLC charged on a 'cost plus' basis,

- supplemental fees earned from PAAMCO Prisma, LLC

- cost sharing revenue received from Prisma Capital Partners, LP ("Prisma") on a cost plus basis

Notes to the Financial Statements

for the year ended 31 December 2018

4. Operating profit

This is stated after charging:

	2018	2017
	\$	\$
Depreciation	18,999	42,457
Foreign exchange differences	(22,886)	(94,994)
Auditors' remuneration:		
Audit fee	27,630	20,003
FCA compliance fees	8,130	7,768
Tax services	7,322	7,172
Operating lease rentals	502,288	689,773

5. Employees

Average monthly number of employees in the year was 11 (2017: 13)

Staff costs:

	2018	2017
	\$	\$
Wages and salaries	2,745,060	2,160,453
Pensions	36,955	51,766
National insurance and social security costs	366,468	288,485
	<u>3,148,483</u>	<u>2,500,704</u>

6. Members and their remuneration

The average number of members during the year was 3 (2017: 3).

The profit (including remuneration), that is attributable to the member with the largest entitlement to profit (including remuneration), is \$523,141 (2017: \$819,452). The average profit (including remuneration) per member is \$499,357 (2017: \$605,612).

Notes to the Financial Statements

for the year ended 31 December 2018

7. Tangible fixed assets

	Computer Equipment \$	Office Equipment, Fixtures and Fittings \$	Leasehold Improvements \$	Total \$
Cost:				
Brought forward	64,107	288,793	468,394	821,294
Additions	-7,927	-	8,011	84
Disposals	-	-	-	-
At 31 December 2018	<u>56,180</u>	<u>288,793</u>	<u>476,405</u>	<u>821,378</u>
Accumulated depreciation:				
Brought forward	43,652	267,473	427,190	738,315
Charge for the period	5,056	5,538	8,404	18,998
Elimination on Disposal	-	-	-	-
At 31 December 2017	<u>48,708</u>	<u>273,011</u>	<u>435,594</u>	<u>757,313</u>
Net book value:				
At 31 December 2017	<u>20,455</u>	<u>21,320</u>	<u>41,204</u>	<u>82,979</u>
At 31 December 2018	<u>7,472</u>	<u>15,782</u>	<u>40,811</u>	<u>64,065</u>

8. Debtors**Amounts falling due in less than one year**

	2018 \$	2017 \$
Amounts due from group undertakings	418,566	8,318
VAT	55,999	24,099
Other debtors	-	1,942
Prepayments and accrued income	<u>237,750</u>	<u>161,296</u>
	<u>712,315</u>	<u>195,655</u>

There are no balances included that are due greater than one year (2017: nil).

Notes to the Financial Statements

for the year ended 31 December 2018

9. Creditors**Amounts falling due within one year**

	2018	2017
	\$	\$
Trade creditors	30,575	89,422
Accruals and deferred rent liability	390,749	149,261
Post-retirement payments to be made to former members	777,545	-
	<u>1,198,869</u>	<u>238,683</u>

Amounts falling due in more than one year

	2018	2017
	\$	\$
Trade creditors	274,836	0
	<u>274,836</u>	<u>0</u>

10. Loans and other debts due to members – other amounts

	2018	2017
	\$	\$
Owed to members – falling due within one year	-	621,054

Amounts owed to members would rank equally with other unsecured creditors in the event of a winding up of the LLP.

Notes to the Financial Statements

for the year ended 31 December 2018

11. Reconciliation of movements in members' other and members' total interests

	Members' other interests – other reserves classified as equity	Members' capital classified as a liability	Amounts due to/(from) Members	Members' Total Interests 2018	Members' Total Interests 2017
	\$	\$	\$	\$	\$
Amounts due to members	-	-	621,054	-	-
Amounts due from members	-	-	(963,121)	-	-
At 31 December 2017	574,022	342,855	(342,067)	574,810	(1,095,240)
Payment of 2016/2017 profit to retired member			(93,033)	(93,033)	
Transferred to post retirement payments made to former member			(777,545)	(777,545)	
Balance after adjusting for retiring member	574,022	342,855	(1,212,645)	(295,768)	(1,095,240)
Members' remuneration charged as an expense	-	-	587,132	587,132	252,888
Profit for financial year available for discretionary division among members	910,939	-	-	910,939	1,563,947
Members' interests after profit for the year	1,484,961	342,855	(625,513)	1,202,303	721,596
Other divisions of profits	(844,642)	-	844,642	-	-
Drawings	-	-	(2,006,811)	(2,006,811)	(1,078,379)
Other movements	-	-	339,070	339,070	931,594
At 31 December 2018	640,319	342,855	(1,448,612)	(465,438)	574,810
Amounts due to members	-	-	-	-	-
Amounts due from members	-	-	(1,448,612)	-	-
At 31 December 2018	-	-	(1,448,612)	-	-

Notes to the Financial Statements

for the year ended 31 December 2018

12. Reconciliation of operating profit to net cash inflow from operating activities

	2018	2017
	\$	\$
Profit before discretionary division	910,939	1,563,947
Interest receivable	(3,237)	(14)
Members' remuneration charged as an expense	587,132	252,888
Gain on foreign exchange	(22,886)	(94,994)
Depreciation charge	18,999	42,457
(Increase)/Decrease in debtors	(177,592)	1,192,949
Increase/(Decrease) in creditors	364,444	(1,715,365)
Net cash inflow from operating activities	1,677,799	1,241,868

13. Related parties

For the period 1 January, 2017 through 31 May, 2017, the ultimate controlling party was PAAMCO Prisma, LLC incorporated in the United States of America. On 1 June, 2017, KKR & Co. L.P and PAAMCO Prisma, LLC completed a business combination of PAAMCO Prisma LLC and Prisma to create PAAMCO Prisma Holdings, LLC ("PAAMCO Prisma Holdings"). As of 1 June, 2017, PAAMCO Prisma Holdings became the ultimate controlling party for the LLP. PAAMCO Prisma Holdings is incorporated in the United States of America. Prisma reimburses the LLP for certain office space expenses, employee compensation and costs. At 31 December, 2018 the receivable of \$418,566 was due from Prisma.

The LLP charged PAAMCO Prisma, LLC \$6,370,942 (2017: \$7,865,287) during the period for research, trading, internal audit and internal control services (charged on a 'cost plus' basis), marketing fees and supplemental fees. The transactions were conducted on an arm's length basis. At 31 December, 2018 the receivable of \$1,448,612 (2017: \$963,121) was due from PAAMCO Prisma, LLC net of the members' interest.

On 30 September, 2018 and effective 30 September, 2018, PAAMCO Prisma, LLC entered into a Deed of Assignment with a member to transfer and assign all of the member's rights and interests in \$6,858 of its "A Capital", to be redesignated as "B Capital" and then be assigned to PAAMCO Prisma, LLC in consideration of \$6,858 from PAAMCO Prisma, LLC to the member.

On 31 December, 2018 and effective 31 December, 2018, PAAMCO Prisma, LLC entered into a Deed of Assignment with a member to transfer and assign all of the member's rights

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and interests in \$5,315 of its "A Capital", to be redesignated as "B Capital" and then be assigned to PAAMCO Prisma, LLC in consideration of \$5,315 from PAAMCO Prisma, LLC to the member.

Notes to the Financial Statements

for the year ended 31 December 2018

On 31 December, 2018 and effective 31 December, 2018, PAAMCO UK Holdings LLP entered into a Deed of Assignment with a member to transfer and assign all of the member's rights and interests in \$1,542 of its "A Capital", to be assigned to PAAMCO UK Holdings LLP.

14. Financial commitments

As at 31 December 2018 the LLP had annual commitments under non-cancellable operating leases as set out below.

	2018		2017	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	\$	\$	\$	\$
Operating leases which expire:				
Falling due within one year	-	14,887	484,632	13,728
In two to five years	1,832,238	13,106	1,938,529	8,138
	<u>1,832,238</u>	<u>27,993</u>	<u>2,423,162</u>	<u>21,866</u>

15. Foreign currency forward contract

On 7 June, 2018 the LLP entered into a foreign currency forward contract with a delivery date of 17 December, 2018 related to the foreign currency exposure of a foreign currency denominated transaction in December 2018. The forward contract was recognised at fair value in the balance sheet and revalued monthly, with any exchange differences arising being recognised in the profit and loss account.

16. Subsequent Events

On 15 February 2019 a written resolution was passed to change the registered name of the LLP from Pacific Alternative Asset Management Company Europe LLP to PAAMCO Prisma Europe LLP.



Registered Number: OC304607

The following pages do not form part of the statutory financial statements which are the subject of the report of the independent auditor on pages 7 and 9.

Registered Number: OC304607

PAAMCO Prisma Europe LLP

Pillar 3 Disclosure

Introduction

PAAMCO Prisma Europe LLP ("the Firm") is authorised and regulated by the Financial Conduct Authority ("FCA") and as such is subject to minimum regulatory capital requirements. The Firm is categorised by the FCA, for capital purposes, as a BIPRU firm. The Firm is not required to prepare consolidated reporting for prudential purposes.

The FCA's capital requirement framework consists of three "pillars":

- Pillar 1 – This is the minimum regulatory capital requirement and consists of both the base capital requirement and the variable capital requirement.
- Pillar 2 – This is the capital that the Firm believes it needs to hold in respect of individual risks identified under the overall Pillar 2 rule.
- Pillar 3 – Requires firms to make disclosures which will allow market participants to assess key information about the Firm's underlying risks, risk management controls and capital position.

This document is designed to meet the Firm's Pillar 3 obligations. This Pillar 3 Disclosure is appended to our annual accounts.

Disclosure Policy

The Pillar 3 rules in BIPRU 11 set out the need for firms to have a formal disclosure policy. In accordance with the rules of the FCA, the Firm will disclose the information set out in BIPRU 11 (the Pillar 3 rule) on at least an annual basis. The Pillar 3 disclosure will be made in the Firm's annual financial statements.

The Firm may omit information it deems as immaterial, confidential or proprietary in accordance with the rules.

Risk Management

The Firm is governed by its members ("Principals") who determine its business strategy and risk appetite. The Principals meet on a regular basis and discuss current projections for profitability, cash flow, regulatory capital management, and business planning and risk management. The Principals manage the Firm's risks through a framework of policies and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

The Principals have identified business risk as the main area of risk to which the Firm is exposed. Annually the Principals formally review the areas of risk to the Firm, identify any new risks that may have arisen and approve the ICAAP. The Principals determine how the risks the Firm faces may be mitigated and assess the arrangements to manage those risks. Where the Principals identify material risks they consider the financial impact of these risks as part of the Firm's business planning and capital management and conclude whether the amount of regulatory capital is adequate.

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Capital Resources

The Pillar 1 capital requirement is the greater of the variable capital requirement and the base capital requirement. The Firm's variable capital requirement exceeds the base capital requirement and therefore constitutes the Firm's Pillar 1 requirement. The variable capital requirement is defined as the higher of the credit risk and market risk capital requirements combined and the fixed overhead requirement. The Firm's credit plus market risk is lower than the firm's fixed overheads requirement. Therefore the Firm's variable capital requirement is equal to the fixed overhead requirement.

Our overall approach to assessing the adequacy of our internal capital is set out as part of our Internal Capital Adequacy Assessment Process document ("ICAAP"). The ICAAP process involves separate consideration of risks in accordance with the Pillar 2 rules. The only material risk identified by the ICAAP was PAAMCO Prisma, LLC, the Firm's parent company, choosing to close down the Firm for business reasons. We estimated the capital required for an orderly wind-up of the company to be below the Firm's minimum capital requirement under Pillar 1.

The Firm is a Limited Liability Partnership and its capital arrangements are established in its Partnership deed. The Firm's capital position at December 31, 2018 is summarised as follows:

	\$
Members' contributed capital	342,855
Other reserves	1,987,052

Total capital	2,329,907
	=====

The Firm's capital resources are comprised of core tier one capital only; there are no other items or deductions.

The Firm holds a considerable surplus of capital above the capital requirement.

Remuneration

The Firm must comply with the FCA's Remuneration Code ("the Code"). The purpose of the Code is to ensure that firms have risk focused remuneration policies, which are consistent with, and promote effective risk management and do not expose themselves to excessive risk. We have reviewed all existing employment contracts to ensure they comply with the Code.

The Code can be applied in a proportionate way, in-line with FCA guidance. As such, Senior Management has determined that the following rules are not proportionate to the Firm and have not implemented these detailed rules:

SYSC 19C.3.44 – Ratios between fixed and variable remuneration;
SYSC 19C.3.47 - Retained shares and other instruments;
SYSC 19C.3.49 - Deferral; and
SYSC 19C.3.51, 19C.3.52 - Performance adjustment.

The Firm's Remuneration Policy has been formally approved and adopted by the Firm's governing body, which has ultimate responsibility for its implementation. There is also a Remuneration Committee based at the group's headquarters in the United States. This Committee determines remuneration levels for all group companies. In setting remuneration levels, the Firm recognises the importance of attracting and retaining experienced, capable staff. The Remuneration Committee has the ability to adjust discretionary bonus amounts.

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Where remuneration is performance-related, in addition to the performance of the individual, the Firm will also take into account the performance of the business unit concerned and the overall results of the firm. Performance assessment will not relate solely to financial criteria but will also include compliance with regulatory obligations and adherence to effective risk management. In keeping with the Firm's long-term objectives, the assessment of performance will take into account longer-term performance.

The Firm had a total of five Code Staff during the year-ended 31st December 2018 of which two have ceased to be employees as at the time of publication. Of these Code Staff, those comprising senior management received a total aggregate remuneration of \$1,016,652, made up of salary, discretionary bonuses and entitlements to share of profits. The remaining Code Staff whose actions have a material impact on the risk profile of the firm received a total aggregate remuneration of \$213,649. No sign-on or severance payments were made to Code Staff in the year under review.