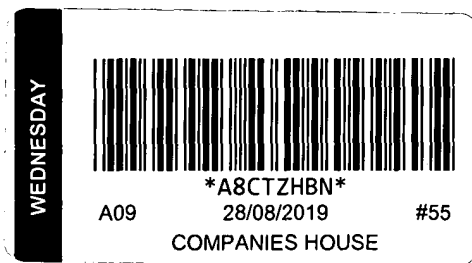


**REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**  
**FOR**  
**HIGHBRIDGE CAPITAL MANAGEMENT (UK), Ltd.**



**Registered No. 3471591**

HIGHBRIDGE CAPITAL MANAGEMENT (UK), Ltd.

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for the year ended 31 December 2018

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HIGHBRIDGE CAPITAL MANAGEMENT (UK), Ltd.

STRATEGIC REPORT  
for the year ended 31 December 2018

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The directors present their Strategic report on Highbridge Capital Management (UK), Ltd. (the "Company") for the year ended 31 December 2018.

**PRINCIPAL ACTIVITIES**

The Company is regulated by the Financial Conduct Authority. The Company provides investment research, capital raising, back-office and administration services to its immediate holding company, Highbridge Capital Management, LLC (HCM LLC), with respect of certain funds managed by HCM LLC and these arrangements are documented through sub-advisory agreements.

**REVIEW OF BUSINESS**

The results for the year and financial position of the Company are shown on pages 7 through 9.

The Company's principal risk is the unpredictability of the financial markets as the Company receives a portion of the revenue earned by its parent, HCM LLC which serves as a trading manager for certain funds and is compensated based on management and incentive fees earned from assets under management. The Company's overall risk management program focuses on this risk and seeks to minimise the potential adverse effects on the Company's financial performance.

**KEY PERFORMANCE INDICATORS (KPIs)**

The KPIs are used by the directors to form an understanding of the financial performance of the business. KPIs include reviews of budgets and forecasts relating to operational expenses, management accounts and other related information.

**FINANCIAL RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks. Risk management is carried out by HCM LLC's Risk Management Group based in the United States. HCM LLC's Chief Risk Officer manages the activity for the group and reports to HCM LLC's Chief Operating Officer.

**Currency risk** - The Company's primary currency risk exposure relates to recognised liabilities that arise in currency denominations other than the Sterling. The most significant currency risk to which the Company is exposed is the US dollar. Other currency risk exposure comes from the allocation of revenues earned in dollars from the funds managed by HCM LLC. These revenues are received from its immediate holding company. To mitigate this risk, the Company has adopted a policy of settling these balances during the first month following the quarter-end. At 31 December 2018, the total balance of US dollar denominated assets is US \$4,522,941 (At 31 December 2017: \$7,520,422). The balance consists of an intercompany receivable related to the funding provided by the Company to its parent entity, HCM LLC, to invest in the funds managed by HCM LLC, a receivable related to the transfer pricing revenue, a deferred compensation liability, an intercompany payable and compensation liability.

As at 31 December 2018, if the Sterling had weakened by 10% against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been £319,204 higher (2017 - £500,731 higher).

**Credit risk** - Credit risk arises from cash and deposits with banks and financial institutions, as well as credit exposures from outstanding receivables due from group undertakings and other debtors. The maximum exposure to credit risk at the reporting date of these financial assets is their carrying amount at the balance sheet date. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. In relation to debtors at the balance sheet date, the Company does not believe it has significant concentrations of credit risk with external counterparties as most transactions have been entered into with group undertakings. Management does not expect any losses from non-performance by these counterparties.

HIGHBRIDGE CAPITAL MANAGEMENT (UK), Ltd.

STRATEGIC REPORT  
for the year ended 31 December 2018

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- Liquidity risk** - The Company has adopted a prudent liquidity risk management policy by maintaining sufficient cash to ensure both operational and regulatory requirements on liquidity are fulfilled. Cash flow forecasting is performed as part of monitoring of the Company's liquidity requirements.
- Note 7 analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.
- Interest rate risk** - The Company's only interest-bearing financial instruments are balances with banks which bear interest at market rates. The Company's policy is to maintain the majority of its funds in short-term deposits. The Company's income, expenses and operating cash flows are substantially independent of changes in market interest rates.
- Capital Management** - The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders. The Company is required to maintain a minimum level of capital as set out in Pillar 3. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to its shareholder, return capital to the shareholder or issue new shares. Total capital monitored by the Company is its equity as shown in the balance sheet

ON BEHALF OF THE BOARD:

*Irina Mirkin*

Irina Mirkin, Director  
18 April 2019

**HIGHBRIDGE CAPITAL MANAGEMENT (UK), Ltd.**

**REPORT OF THE DIRECTORS  
for the year ended 31 December 2018**

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The directors present their report with the audited financial statements of the Company for the year ended 31 December 2018. The Company's registered office is 5 Tudor Street, London, EC4Y 0JP, UK.

**RESULTS AND DIVIDENDS**

The Company paid dividends during the year in the amount of £2,996,400 (2017 £7,999,200 ) to its immediate holding company.

**REMUNERATION**

The Company maintains a remuneration policy to comply with the rules and guidance of the FCA's Remuneration Code, located in the Senior Management, Systems and Controls Sourcebook ("SYSC"), in accordance with the applied proportionality principles for Tier 4 firms. The Company's policy and Code Staff will be reviewed at least annually, or more frequently, as changes to the business dictate and in line with the guidance stated in SYSC 19.

The payment of variable compensation to Code Staff is entirely made at the Company's discretion and does not entitle Code Staff to receive subsequent annual payments. Without limiting the generality of the above in exercising discretion, the Company may have regard to a number of considerations, including but not limited to individual performance, Company performance, investment performance and the ongoing business needs of the Company. Senior Management is confident that the structure of variable remuneration is linked to the interests of the Company and does not encourage any improper risk taking by its Code Staff.

**FUTURE DEVELOPMENTS**

No significant changes are expected in the future.

**DIRECTORS OF THE COMPANY**

The directors who held office during the year and up to the date of signing the financial statements are given below:

Irina Mirkin  
Carla Aylott

**POLITICAL DONATIONS**

The Company made no political donations during the years ended 31 December 2018 and 31 December 2017.

**QUALIFYING THIRD-PARTY INDEMNITY PROVISIONS**

As permitted by section 233 of the Companies Act 2006, the directors of the Company are covered for insurance purposes by JP Morgan Chase & Co blanket insurance maintained at a consolidated level.

**POST BALANCE SHEET EVENTS**

On February 19, 2019, the Company extended the sublease agreement for the Devonshire House, 1 Mayfair Place, 4<sup>th</sup> Floor, London W1J 8AJ, UK, with HPS Investment Partners (UK) LLP. Per the terms of the agreement, HPS Investment Partners (UK) LLP will pay £778,245 per annum commencing on March 29, 2019 and ending on August 11, 2023.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 Applicable in the United Kingdom (FRS 102).

HIGHBRIDGE CAPITAL MANAGEMENT (UK), Ltd.

REPORT OF THE DIRECTORS  
for the year ended 31 December 2018

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 United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

**DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**INDEPENDENT AUDITORS**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

ON BEHALF OF THE BOARD:

*Irina Mirkin*

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Irina Mirkin, Director  
18 April 2019

# ***Independent auditors' report to the members of Highbridge Capital Management (UK), Ltd.***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Highbridge Capital Management (UK), Ltd.'s financial statements:

- give a true and fair view of the state of the company'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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report of the Directors and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account and the statement of changes in equity for the year then ended 31 December 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Strategic Report and Report of the Directors*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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.

#### *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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Jonathan Wiseman (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
18 April 2019



HIGHBRIDGE CAPITAL MANAGEMENT (UK), Ltd.

PROFIT AND LOSS ACCOUNT  
for the year ended 31 December 2018

	Notes	2018 £	2017 £
Revenue		13,033,740	13,446,709
Administrative expenses		(12,776,864)	(11,239,540)
		256,876	2,207,169
Other operating income		2,679,995	1,975,031
<b>OPERATING PROFIT</b>	2, 3	2,936,871	4,182,200
Interest receivable and other income		28,254	4,816
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,965,125	4,187,016
Tax on profit on ordinary activities	4	(549,579)	(662,946)
<b>PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2,415,546</b>	<b>3,524,070</b>

**CONTINUING OPERATIONS**

None of the Company's activities were acquired during the current year or previous year. None of the Company's activities were discontinued during the current year.

All activities derive from continuing operations.

The Company has no recognised gains or losses other than the profit for the financial year after taxation stated above and therefore no separate statement of total recognised gains or losses has been prepared (2017: nil).

There is no material difference between the results reported above and the results on an unmodified historical costs basis.

The notes on page 10 - 17 form an integral part of these financial statements

**HIGHBRIDGE CAPITAL MANAGEMENT (UK), Ltd.**

**BALANCE SHEET**  
**at 31 December 2018**

	Notes	2018 £	2017 £
<b>FIXED ASSETS</b>			
Property, plant and equipment	5	518,830	712,611
		<u>518,830</u>	<u>712,611</u>
<b>NON-CURRENT ASSETS</b>			
Security deposit	6	461,547	580,485
		<u>461,547</u>	<u>580,485</u>
<b>CURRENT ASSETS</b>			
Debtors	6	19,981,533	18,185,406
Cash at bank and in hand		7,480,402	6,149,012
		<u>27,461,935</u>	<u>24,334,418</u>
Creditors: Amounts falling due within one year	7	4,645,350	3,947,070
		<u>4,645,350</u>	<u>3,947,070</u>
<b>NET CURRENT ASSETS</b>		<u>22,816,585</u>	<u>20,387,348</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>23,796,962</u>	<u>21,680,444</u>
Creditors: Amounts falling due after more than one year	7	1,549,856	1,210,069
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Provision for dilapidation	10	218,070	273,390
Deferred rent	10	444,412	407,642
Deferred compensation	11	10,838,155	8,462,019
		<u>11,499,637</u>	<u>9,143,051</u>
<b>NET ASSETS</b>		<u>10,746,469</u>	<u>11,327,323</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	660,000	660,000
Retained earnings		10,086,469	10,667,323
		<u>10,746,469</u>	<u>11,327,323</u>
<b>TOTAL EQUITY</b>		<u>10,746,469</u>	<u>11,327,323</u>

The financial statements on pages 7 to 17 were approved by the board of directors on 18 April 2019 and were signed on its behalf by:

*Irina Mirkin*

I Mirkin – Director  
Registered No. 3471591

The notes on page 10 - 17 form an integral part of these financial statements

HIGHBRIDGE CAPITAL MANAGEMENT (UK), Ltd.

STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 December 2018

	Called up Share Capital £	Retained Earnings £	Total Equity £
Balance as at 1 January 2017	660,000	15,142,453	15,802,453
Profit for the financial year and total comprehensive income for the year	-	3,524,070	3,524,070
Dividends paid during the year	-	(7,999,200)	(7,999,200)
<b>BALANCE AS AT 31 DECEMBER 2017</b>	<b>660,000</b>	<b>10,667,323</b>	<b>11,327,323</b>
Balance as at 1 January 2018	660,000	10,667,323	11,327,323
Profit for the financial year and total comprehensive income for the year	-	2,415,546	2,415,546
Dividends paid during the year	-	(2,996,400)	(2,996,400)
<b>BALANCE AS AT 31 DECEMBER 2018</b>	<b>660,000</b>	<b>10,086,469</b>	<b>10,746,469</b>

The notes on page 10 - 17 form an integral part of these financial statements

**HIGHBRIDGE CAPITAL MANAGEMENT (UK), Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2018

The Company provides investment research, capital raising, back-office and administration services to its immediate holding company, Highbridge Capital Management, LLC (HCM LLC). The Company is a private company and is incorporated in England and Wales and domiciled in the UK. The Company's registered office is 5 Tudor Street, London, EC4Y 0JP.

The individual financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom ("FRS 102") and the Companies Act 2006.

The Company is authorised and regulated by the Financial Conduct Authority (the "FCA"). The Company has made all necessary disclosures as required by the FCA under Pillar 3 of the Basel III framework. The disclosure accompanies these financial statements.

**1. ACCOUNTING POLICIES**

**Basis of preparation**

The financial statements have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

These financial statements comprise the Profit and loss account, Balance sheet, Statement of changes in equity and related notes. The Company has taken advantage of the disclosure exemption conferred by FRS 102.

Therefore, these statements do not include:

- a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, JPMorgan Chase & Co., includes the Company's cash flows in its own consolidated financial statements.
- disclosure of related party transactions with other wholly-owned members of the group headed by JPMorgan Chase & Co.

The financial statements of JPMorgan Chase & Co. can be obtained as disclosed in Note 13.

The principal accounting policies are set out below, and have been applied consistently throughout the year.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held at call with banks with a maturity of less than 30 days. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

**Revenue**

The Company recognises revenue on an accrual basis as services are provided in respect of investment research, capital raising, back-office and administration services provided to HCM LLC. All revenue is received from the United States.

**Expenses**

Expenses relate to costs incurred by the Company in relation to the administration and business of the Company and are recognised on an accrual basis.

**Property, plant and equipment**

Tangible assets are recorded at cost less depreciation on a straight-line basis to write off the assets over their estimated useful lives. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold improvements	- over remaining life of the lease
Computer equipment	- 3 years straight line
General office equipment	- 5-10 years straight line
Office equipment	- 5 years straight line
Provision for dilapidation	- over remaining life of the lease

**1. ACCOUNTING POLICIES (Continued)**

**Foreign currencies**

The Company's functional and presentational currency is Sterling. This is the currency in which the majority of the Company's revenue streams, assets, liabilities, and funding is denominated. Monetary assets and liabilities in foreign currencies are translated into the Sterling at the prevailing rate of exchange at the balance sheet date. Transactions in foreign currencies are translated into the Sterling at the prevailing rate of exchange prevalent at the date of transaction. Exchange gains / losses are taken into account in arriving at the operating profit.

**Operating and leasing commitments**

Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce lease expense, on a straight-line basis over the period of the lease.

**Provision for liabilities and charges**

Provision for liabilities includes estimated dilapidation costs to restore leased premises to its original condition. The amount is calculated based on the reasonable and customary costs as quoted by contractor. The Company recognises provision for dilapidation expenditure in connection with its operating lease and related leasehold improvements. The cost of restoring the property at the end of the lease is capitalised and recognised in the profit and loss account over the life of the lease as part of the depreciation charge. The provision also includes deferred rent obligation accrual which represents the difference between the cash and accrual method payments for lease obligation inception to date.

**Taxation**

Current tax is provided using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date on the excess of taxable income and allowance expenses.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have accrued at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain.

**Pensions and other post-retirement benefits**

The Company participates in a defined contribution scheme in which all full-time employees are eligible to participate. The Company accounts for the defined contribution scheme in accordance with FRS 102, "Retirement Benefits". Contributions payable to the scheme/sections in respect of the accounting period are charged to the profit and loss account on an accrual basis.

**Deferred compensation plan**

The Company has established a Deferred Compensation Plan (the "Plan"). The Company has sole and exclusive authority to invest any or all amounts deferred in any manner, regardless of the fund allocation elections of the participants. The deferred compensation provision will mirror the investment returns of funds managed by HCM LLC and J.P. Morgan Asset Management Holdings Inc., immediate holding company of HCM LLC, as selected by the participants, to mitigate the risk of loss to the Company.

**Share capital and distributions**

Ordinary shares are classified as called up share capital. Dividends and other distributions to the parent company are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

**Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**HIGHBRIDGE CAPITAL MANAGEMENT (UK), Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2018**

**1. ACCOUNTING POLICIES (Continued)**

**Critical Accounting Estimates and Judgements (Continued)**

- (a) Useful economic lives of tangible assets  
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.
- (b) Deferred Compensation  
Deferred compensation requires judgement over the future required service period of the employee. This requires judgement in relation to likely staff attrition rates in the future which will affect the actual award vesting.

**2. STAFF COSTS**

	2018 £	2017 £
Wages and salaries	5,902,709	6,565,954
Social security costs	938,873	859,030
Other pension costs	170,584	47,583
	<u>7,012,166</u>	<u>7,472,567</u>

	2018	2017
The average number of employees was as follows:		
Directors	2	2
Staff	16	18
	<u>18</u>	<u>20</u>

Directors' emoluments	15,379	15,260
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There is no key management personnel other than the directors.

HIGHBRIDGE CAPITAL MANAGEMENT (UK), Ltd.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2018

**3. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):	2018	2017
	£	£
Other operating income		
Sublease and other services income	(1,099,272)	(1,158,503)
(Gain)/loss on financial assets held at fair value	(130,251)	(816,528)
Realised (gain)/loss on foreign exchange transactions	335,059	(376,963)
Unrealised loss/(gain) on foreign exchange transactions	(61,175)	738,619
Depreciation	348,540	131,118
Operating lease charge	898,625	886,256
The audit of the Company's annual financial statements	118,616	138,103
Other assurance related services	34,000	32,500

The Company has earned sublease income per sublease agreement with HPS UK Partners LLP. The Company has also earned other services income from HPS UK Partners LLP under the transaction services agreement executed on March 31, 2016 between HPS Partners LLC, the US parent of HPS UK Partners LLP, and Highbridge Capital Management LLC, the US parent of the Company. The revenue earned from the provision of the services under the transaction agreement and the sublease is reflected in the other operating income section of the profit and loss account.

**4. TAX ON PROFIT ON ORDINARY ACTIVITIES AND COMPREHENSIVE INCOME**

**(a) Analysis of the tax charge**

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

	2018	2017
	£	£
Current tax:		
UK corporation tax on profits for the year	2,965,125	4,187,016
Total current tax	933,860	952,370
Adjustments in respect of prior periods	0	2,702
Deferred tax (Note 9)	(384,281)	(292,126)
Tax on profit on ordinary activities	549,579	662,946

**(b) Reconciliation of tax charge**

The tax assessed for the year is lower (2017-lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19.00% (2017: 19.25%). The differences are explained below:

	2018	2017
	£	£
Profit on ordinary activities before tax	2,965,125	4,187,016
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2017 – 19.25%)	563,374	806,001

HIGHBRIDGE CAPITAL MANAGEMENT (UK), Ltd.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2018

Effects of:

Expenses not deductible for tax purposes	18,956	7,386
Income not subject to Tax	(33,122)	(157,182)
Prior year adjustment	0	2,702
Over/(Under)provision of deferred tax in previous years	0	360
Change in tax rates	0	3,679
Tax Charge for the year	<u>549,579</u>	<u>662,946</u>

The tax rate for the current year is lower than in the prior year, due to changes in the UK corporation tax rate, which decreased from 19.25% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

**5. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvements £	General office equipment £	Office equipment £	Computer equipment & software £	Totals £
<b>COST</b>					
At 1 January 2018	854,801	115,915	145,196	346,887	1,462,799
Additions	-	91,540	-	69,189	160,729
Disposals	(438,429)	(13,392)	-	(21,858)	(473,679)
<b>At 31 December 2018</b>	<b>416,372</b>	<b>194,063</b>	<b>145,196</b>	<b>394,218</b>	<b>1,149,849</b>
<b>ACCUMULATED DEPRECIATION</b>					
At 1 January 2018	342,477	23,504	71,926	312,281	750,188
Depreciation	314,089	2,500	11,329	20,622	348,540
Disposals	(438,429)	(10,326)	-	(18,954)	(467,709)
<b>At 31 December 2018</b>	<b>218,137</b>	<b>15,678</b>	<b>83,255</b>	<b>313,949</b>	<b>631,019</b>
<b>NET BOOK VALUE</b>					
At 31 December 2018	198,235	178,385	61,941	80,269	518,830
At 31 December 2017	512,324	92,411	73,270	34,606	712,611



**HIGHBRIDGE CAPITAL MANAGEMENT (UK), Ltd.**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2018**

**6. DEBTORS**

	2018	2017
	£	£
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	17,435,873	16,096,695
Deferred tax asset (note 9)	1,928,582	1,544,302
Corporate tax receivables	-	-
Other debtors	514,858	387,096
Prepayments	102,220	157,314
	<u>19,981,533</u>	<u>18,185,406</u>
<b>Amounts falling due after more than one year:</b>		
Security deposit	461,547	580,485

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

**7. CREDITORS**

	2018	2017
	£	£
<b>Amounts falling due within one year:</b>		
Accrued expenses	3,618,123	3,048,047
Social security	457,027	475,306
Deferred compensation	132,264	-
Corporation taxation payable	437,936	423,717
	<u>4,645,350</u>	<u>3,947,070</u>
<b>Amounts falling due after more than one year:</b>		
Social security	1,549,856	1,210,069

**8. OPERATING LEASE COMMITMENTS**

The following are operating lease commitment payments:

	Land and buildings	
	2018	2017
	£	£
Leases expiring:		
Within one year	587,948	902,139
Between one and five years	2,788,711	3,112,980
Thereafter	-	453,976
	<u>3,376,659</u>	<u>4,469,095</u>

**9. DEFERRED TAX ASSETS**

	2018	2017
	£	£
Deferred tax assets		
Balance at 1 January	(1,544,302)	(1,252,176)
Deferred taxation (credited)/charged in the profit and loss account	(384,281)	(292,126)
Balance at 31 December	<u>(1,928,583)</u>	<u>(1,544,302)</u>

HIGHBRIDGE CAPITAL MANAGEMENT (UK), Ltd.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2018

	2018	2017
	£	£
<b>The deferred tax consists of:</b>		
Depreciation in excess of capital allowances	(57,962)	(30,367)
Bonuses not paid during the year	(1,870,621)	(1,513,935)
	<u>(1,928,583)</u>	<u>(1,544,302)</u>

10. PROVISION FOR LIABILITIES AND CHARGES

	Provision for dilapidation £	Deferred Rent £	Total £
Balance at 1 January 2018	273,390	407,642	681,032
Additions	-	160,159	160,159
Amounts utilised	(55,320)	(123,389)	(178,709)
<b>At December 31, 2018</b>	<u>218,070</u>	<u>444,412</u>	<u>662,482</u>

11. DEFERRED COMPENSATION

	2018	2017
	£	£
Deferred compensation		
Balance at 1 January	8,462,019	6,727,421
Add Back reclassified to current payable in 2017	-	873,003
Payouts	-	(917,488)
Contribution	1,717,030	1,693,997
Forfeitures	-	-
Less: reclass to current payable to creditors	(132,264)	-
Mark-to-market / FX adjustment	791,370	85,086
<b>Balance at 31 December</b>	<u>10,838,155</u>	<u>8,462,019</u>

The total amount of the deferred compensation liability as of 31 December 2018 was £10,838,155 (2017 £8,462,019). The deferred compensation liability represents bonus amounts that employees have either elected to defer in order to gain exposure to selected funds managed by HCM LLC and J.P. Morgan Asset Management or were required to defer as part of the firm's compensation structure. The Company has hedged its deferred compensation liability by sending funds to the parent company, HCM LLC to be invested into the same funds that the participants have selected in their deferral election forms. The voluntary deferred compensation amounts will be paid to the participants on the specified payout date on the deferral election forms and the mandatory deferred compensation will be paid to the participants on the date it vests unless the participants have elected a payout date that is later than the vesting date.

12. CALLED UP SHARE CAPITAL

Ordinary Shares of Nominal Value £1.00

Authorised Number of Shares 1,000,000

	2018	2017
	£	£
<b>Allotted and fully paid</b>		
At 1 January	660,000	660,000
At 31 December	<u>660,000</u>	<u>660,000</u>

HIGHBRIDGE CAPITAL MANAGEMENT (UK), Ltd.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2018

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There is a single class of ordinary shares. There are no restrictions on the distribution of dividends.

**13. ULTIMATE PARENT COMPANY**

Highbridge Capital Management (UK), Ltd. is 100% owned by HCM LLC, a limited liability company incorporated in the United States of America. The ultimate parent undertaking and controlling party is JPMorgan Chase & Co., which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of JPMorgan Chase & Co. consolidated financial statements can be obtained from 270 Park Avenue New York, NY 10017, or at [www.jpmorgan.com](http://www.jpmorgan.com).

## **Highbridge Capital Management (UK) Limited**

### **Pillar 3 Disclosure**

#### **Introduction**

The Capital Requirements Directive of the European Union (the "Directive") establishes regulatory framework across Europe governing the amount and nature of capital that must be maintained by credit institutions and investment firms. 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 framework consists of three 'Pillars':

Pillar 1 - sets out the minimum capital amount that meets the firm's credit, market and operational risk;

Pillar 2 - requires firms to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA; and

Pillar 3 - requires disclosure of specified information about the underlying risk management controls and capital position.

The disclosures in this document are made in respect of Highbridge Capital Management (UK) Limited ("HCMUK / the Firm") in accordance with the BIPRU rules, to set out the key risks facing HCMUK, how it manages those risks and how it has satisfied itself it has sufficient capital in respect of those risks.

Disclosure will be made annually based on the Firm's accounting reference date 31 December and published as soon as practicable once the annual statements are available.

#### **Scope and application of the requirements**

HCMUK is authorised and regulated by the Financial Conduct Authority and as such is subject to minimum regulatory capital requirements. The Firm is categorised as a BIPRU 50K limited license firm by the FCA for capital purposes.

HCMUK is a wholly owned subsidiary of Highbridge Capital Management LLC ("HCM"), a global alternative investment and asset management firm based in the United States. HCM is wholly owned by JP Morgan Asset Management Holdings Inc, a wholly owned subsidiary of JP Morgan Chase and Co. HCMUK is not part of a consolidation group for prudential purposes.

HCMUK provides investment research, capital raising, back-office and administration services to its immediate holding company, Highbridge Capital Management, LLC, with respect of certain funds managed by HCM and these arrangements are documented through sub-advisory agreements.

#### **Risk management**

The Board of Directors regards risk management as an inherent part of the Firm's business activities. The Firm has adopted risk management policies and procedures consistent with its size and complexity and the Firm's management practices are intended to provide comprehensive controls and ongoing management of the major risks faced by the Firm.

HCMUK has documented its assessment of the risks it faces within its ICAAP in accordance with FCA requirements. The primary risks the Firm believes it is exposed to include operational risk and business risk. These exposures are regarded as typical for a business engaged in investment management.

#### **Operational risk and Business Risk**

HCMUK has implemented a number of processes and control measures to mitigate the risks associated with operational errors, including administrative errors, failure of procedures, loss of functionality of the premises, reliance on third party providers and competency of employees.

HCMUK's business continuity and disaster recovery plan includes our dedicated, off-site data centre where all critical systems can be recovered in the event of a disaster.

HCMUK is reliant on fees received from its parent. The financial strength of the HCM group is under regular review so as to ensure that any likely necessary reduction in HCMUK's fees from HCM LLC can be identified and planned for well in advance.

#### **Reputational risk**

HCMUK's reputation is essential to its success and the Board recognizes that any threat to the Firm's reputation is to be taken seriously. The Board considers that reputational risk is an overarching consideration as reputational damage generally occurs due to the crystallization of other types of risks. Consequently, HCMUK's risk mitigation measures take this into account.

#### **Credit risk**

HCMUK is exposed to credit risk from fees collected from its parent company, as well as from the bank deposits. Other credit risks are covered by the Pillar 1 calculations.

To mitigate the credit risk with Barclays, HCMUK regularly monitors the financial health and condition of Barclays to assess whether it remains a viable deposit institution.

HCMUK is aware that firms of its type may understate concentration risk. To mitigate potential concentration risk, the firm and its parent company have funding policies in place to ensure sufficient capital is held in the firm (i.e., as opposed to by other group entities) to cover its capital requirements. As part of this policy, the parent entity settles management and other inter-company fees on a quarterly basis. In addition the Firm monitors its liquidity position on a regular basis.

#### **Interest rate risk**

The Firm's only interest-bearing financial instruments are balances with banks which bear interest at market rates. The Firm's policy is to maintain the majority of its funds in short-term deposit. The Firm's income, expenses and operating cash flows are substantially independent of changes in market interest rates.

#### **Market risk**

HCMUK's market risk consists of foreign currency exchange risk on its US dollar cash balance held at Barclays, receivable balances relating to fee income and liability balances related to compensation which are denominated in US dollars.

This risk is covered in full by the firm's Pillar 1 calculations.

#### **Regulatory capital**

As noted above, HCMUK is a limited license firm and consequently is subject to maintaining capital requirements of the greater of the following:

- (i) €50,000 minimum capital;
- (ii) Sum of its market and credit risk requirements (which combined provide HCMUK's risk capital calculation); or
- (iii) HCMUK's fixed overhead requirement ("FOR").

In 2018 the sum of HCMUK's market and credit risk requirement and the Firm's FOR was greater than the €50,000 minimum capital requirement.

For regulatory purposes, HCMUK's capital position as at financial year ended December 31, 2018 is summarized as follows:

Capital items	£'000
Tier 1 capital less innovative tier 1 capital	10,746
Total tier 2, innovative tier 1 and tier 3 capital	0
Deductions from tier 1 and tier 2 capital	0
<b>Total capital resources, net of deductions</b>	<b>10,746</b>

Total capital resources of £10,746k are comprised of £660k of allotted, issued and fully paid share capital and £10,086k of audited retained earnings.

Approved for issue:

*Irina Mirkin*

Date: April 18, 2018

Irina Mirkin

Director

Highbridge Capital Management (UK) Limited