N.M. Rothschild & Sons Limited

Annual Report & Accounts for the year to 31 December 2019

Registered number: 00925279

Rothschild & Co

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Strategic report

Principal activities

N.M. Rothschild & Sons Limited ("NMR" or "the Company") is the main UK operating subsidiary of Rothschild & Co SCA, the French listed parent company. The principal activity of the Company is Global Advisory ("GA"), which focuses on providing advice in the areas of Strategic Advisory and M&A, Financing Advisory encompassing Debt Advisory, Restructuring and Equity Advisory, and Investor Advisory advising on engaging with shareholders on a variety of topics including activism, sustainability and governance. Alongside our UK GA business, NMR owns 50.01% of Rothschild & Co Europe B.V. and 100% of Rothschild & Co Australia Limited, which are also GA businesses. The remaining 49.99% of Rothschild & Co Europe B.V. is owned by Rothschild Martin Maurel SCS.

Further information on the Rothschild & Co Group (the "R&Co Group") can be found on www.rothschildandco.com.

Strategic developments

NMR's strategy continues to be focused on developing its advisory business having materially reduced its legacy banking exposures. The GA business continues to perform very well, and the R&Co Group has maintained its leading market position and is again ranked 1st in Europe by number of completed transactions and 2nd globally. NMR also provides functional support for the R&Co Group's other activities.

During the year, the investor advisory business previously carried on by Scott Harris UK Limited, a subsidiary, was acquired by NMR for consideration reflecting the original cost of the business, including goodwill of £4.1m, plus net assets. This will facilitate closer business integration as part of GA's Investor Advisory offering, as well as operational efficiencies. During 2019, to further strengthen the UK GA business, NMR's UK parent company, Rothschild & Co Continuation Limited ("R&CoCL"), acquired Livingstone in the UK (now re-named to Arrowpoint Advisory Services Limited), a UK lower mid-market financial advisory business. R&CoCL also purchased a 25.5% share in Redburn (Europe) Limited, a company that provides European equities research and execution services to professional and institutional investors.

During 2019, NMR took over a share of the assets and obligations of the defined benefit fund relating to former R&Co Group entities (the "Overseas Fund"), which is closed to future accrual. Since the Overseas Fund is in surplus, NMR recognised a profit of £4.3m on initial recognition of the Overseas Fund which is included in other comprehensive income.

Results overview

Profit before tax for the year to 31 December 2019 was £123.5m compared to £101.3m for 2018, which equates to an increase of 21.9%. Net operating income of £399.8m was 2.2% lower than the record £408.9m for 2018, but this was more than offset by a 10.2% reduction in operating expenses.

Net fee income remained strong, although down from the record level in 2018. Net fees for the GA business were 7.1% lower at £367.9m. The business outperformed relative to the overall M&A market and advised on some of the largest and most complex transactions completed during the year, having advised on more UK PLC transactions than any other adviser. Net interest income has been impacted by a new leasing standard, IFRS 16, with £7.3m of interest expense on funding the property leases. Strong dividend income of £24.1m was driven by distributions from Rothschild & Co Europe B.V., while there was a £8.1m gain from NMR's sale of its holding in Rothschild Martin Maurel SCS to Rothschild & Co SCA.

	2019 £m	**2018 £m**	***Variance %***
Net GA fee income	367.9	396.2	*(7.1)*
Net fee income - other	0.7	2.0	*(65.0)*
Net interest (Expense) / Income	(1.5)	4.0	*(137.5)*
Dividend income	24.1	6.3	*282.5*
Other (Expense) / income	(1.2)	1.5	*(180.0)*
Total operating income	**390.0**	**410.0**	***(4.9)***
Impairments	1.7	(1.1)	*254.5*
Gain on disposal of associate	8.1	-	*N/A*
Net operating income	**399.8**	**408.9**	***(2.2)***
Operating expenses	(276.3)	(307.6)	*10.2*
Profit before tax	**123.5**	**101.3**	***21.9***
Tax	(16.0)	(17.2)	*7.0*
Profit after tax	**107.5**	**84.1**	***27.8***

Operating expenses were £276.3m, 10.2% lower than the prior year which reflects decreased compensation as a result of lower GA revenues. Part of the compensation is paid by way of deferred bonuses which are paid up to 3 years after award on condition that the relevant staff remain in the employment of the R&Co Group. Accordingly, the cost of deferred bonuses are spread over the vesting period rather than in the year of award which can impact the compensation ratio.

Key Performance Indicators	2019	2018
Profit before tax (£m)	123.5	101.3
Net GA fee income (£m)	367.9	396.2
Compensation ratio*	62.7%	64.6%

*Compensation ratio is ongoing staff costs / total operating income adjusted to exclude intra-group dividends and to include recharges of expenses to other Group entities. Staff costs exclude redundancy payments, those staff costs related to the purchase of a subsidiary and the revaluation of share-based employee liabilities.

Balance sheet

The balance sheet has increased by £68m, principally due to IFRS 16 which results in a gross up for the New Court and other property leases. NMR's leases have been capitalised by recognising the present value of the lease payments as a right of use asset. A financial lease liability has also been created to represent the obligation to make lease payments. In addition, increased Group lending has resulted in a reduction in liquid resources held year on year. Further progress has been made to reduce the legacy lending book which now stands at £16.8m net of provisions, £4.6m lower than at 31 December 2018. The Company's lending activities are now largely confined to supporting the wider R&Co Group through the use of surplus liquidity. At 31 December 2019 the balance sheet remained very liquid at £320.7m which includes loans with banks (including £125.0m with R&Co Group banks), UK Government debt securities and AAA rated money market funds.

Capital and dividends

Total equity decreased by £36.8m to £587.0m. Earnings are offset by the impact of transition to IFRS 16, actuarial losses, and the payment of £85.0m of dividends, of which £21m related to prior year's earnings.

Governance and risk management

NMR is an integral part of the wider R&Co Group and, as such, the governance and risk management framework operates within the overall R&Co Group structure, whilst ensuring that the requirements of the Company are fully covered. The key governance committees to which the NMR Board has delegated authority are summarised on pages 8 and 9.

The Group Chief Risk Officer co-ordinates policy and promotes the development and maintenance of effective risk management procedures throughout the R&Co Group. Alongside this, the Group Internal Audit team reviews the internal control framework and reports its findings to the R&Co Group Audit Committee, as well as reporting NMR matters to the NMR Board.

Principal risks and uncertainties

The key risks and uncertainties to which the Company is exposed are the macroeconomic conditions in the markets in which we operate and changes in the regulatory environment. Of particular concern is the potential impact on revenues of a significant downturn in global M&A activity, as well as global trade discussions, the impact of Coronavirus (COVID-19), and more locally, Brexit. Notwithstanding, we do not expect any structural or regulatory issues from Brexit, and we do not expect any balance sheet impairments.

The Company's principal risks are integrated with those of the R&Co Group and are managed on a Group wide basis. These arise in relation to pension fund (Note 23 to the accounts), regulatory, reputational, technology and other operational factors. NMR's exposure to credit, liquidity and market risks continues to reduce and further information regarding financial risk management and use of financial instruments is disclosed in note 2 to the accounts. For a business such as ours, loss of key personnel is a material risk which the Company seeks to mitigate through training, career development and remuneration policies.

Outlook

Global announced M&A deal values reduced during 2019 compared to 2018, but activity levels remain relatively high, our visible pipeline of business remains healthy, and we believe the general environment continues to be supportive for M&A. However, we remain alert to signs of a significant turning point in the cycle.

S172 statement

The Board has a duty under s172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole and in doing so, to have regard (amongst other matters) to:

a) the likely consequences of any decision in the long term,

b) the interests of the Company's employees,

c) the need to foster the Company's business relationships with suppliers, clients and others,

d) the impact of the Company's operations on the community and the environment,

e) the desirability of the Company maintaining a reputation for high standards of business conduct, and

f) the need to act fairly as between members of the Company.

During the year the Board has considered its duties under s172 and how it fulfils its obligations thereof in respect to the following key stakeholder groups:

Shareholders

The Board is appointed by the shareholders to oversee, govern and make decisions on their behalf and so is directly responsible for protecting and managing their interests in the Company. It does this by setting the strategies, policies and corporate governance structures described elsewhere in these financial statements. As part of the wider R&Co Group, some of these responsibilities are managed at a group level and described in greater detail in the R&Co financial statements that are available on www.rothschildandco.com/en/investor-relations/.

Employees and pension funds

The Company is committed to supporting the principle of equal opportunities and opposes all forms of unlawful or unfair discrimination on the grounds of colour, race, nationality, ethnic origin, gender, marital status, disability, religion, age or sexual orientation. The Company's aim is to recruit, train and promote the best person for the job and to create a working environment free from unlawful discrimination, victimisation and harassment, and in which all employees are treated with dignity and respect.

The Group undertakes employee engagement surveys to get feedback on culture and wider matters of importance to employees. As a result of such surveys a series of Balance & Inclusion initiatives have been developed. One example of this is a programme which has been established specifically targeted to develop senior women.

The Company offers training and development opportunities, enabling employees to improve their professional competencies.. There are local and international training programmes, run face to face, or virtually.

The recruitment, training, career development and promotion of less abled persons are fully and fairly considered having regard to the aptitudes and abilities of each individual. Efforts are made to enable employees who become less able during employment to continue their career with the Company and, if necessary, appropriate training is provided.

The R&Co Group Health & Safety Policy, which is published on R&Co Group's intranet, guides the Company's direction and approach to responsible health and safety management. To ensure a consistent approach to maintaining the health, safety and well-being of all persons who might be affected by the activities within an office, all locations commit to implementing the conformance standard by setting procedures listed within the Group Health & Safety Requirements (HSRs) prescribed in the Policy.

The Company also provides support to current and former members of staff who are members of the defined benefit pension plans by agreeing with the trustees of those plans a contribution plan aimed to eliminate the funding deficit by 2023. The Company also offers a defined contribution scheme for those who are not members of the defined benefit scheme. These pension schemes are explained further in Note 23 to the accounts.

Further details of staff policies and practices are contained in the "Human resources and social information" section of the R&Co financial statements.

Strategic report

Clients

The Company's clients are vital to the success of the business and it is important that we deliver with integrity the best possible advice. We are aligned with and focused on our clients' success, and care about their business. We know that long lasting relationships depend on this and our market share is an important indicator of client satisfaction. We also understand the impact that all clients can have on our business, for example from a reputational, corruption, tax-avoidance or money laundering perspective, and all new clients are subject to thorough due diligence before being accepted.

Suppliers

The Company has developed a responsible UK purchasing policy to include consideration of items such as environment, diversity, health and safety and the modern slave trade. Further details are contained in the "Corporate conduct" section of the R&Co financial statements.

It is the Company's intention to agree appropriate terms of payment with suppliers and to abide by those terms based on the timely submission of valid invoices. In the absence of agreed terms, the Company's policy is to pay within 30 days from receipt of a valid invoice.

Regulators and tax authorities

The Company insists on the highest standards of professionalism and integrity from our employees who are expected to refrain from any conduct or behaviours that could be perceived unfavourably. This extends to dealing honestly and openly with regulators and tax authorities and in compliance with all the relevant laws and regulations in place.

The wider community

The Company's approach to business includes a deeply held sense of responsibility to the environment and the communities in which we operate.

Our community investment ambition is to raise and realise the aspirations of young people from disadvantaged backgrounds. Offering a combination of skills-based employee volunteering and strategic financial contributions we pursue long term partnerships with charities, educational establishments and social enterprises which share our goals. We focus on helping disadvantaged young people to develop the skills that will help them to succeed at school and in the workplace, and on instilling in them the confidence to be more ambitious. In addition, we use our advisory skills to help social enterprises whose aims are aligned with ours to develop and transform their business models.

The R&Co Group has committed to contributing to a more environmentally sustainable economy by maximizing our positive environmental impact. The Company's goal for environmental management is to add value to both our and our clients' businesses in a sustainable, environmentally responsible way, and to conserve and protect the world's natural resources through our operations, products and services. The Company has engaged in several initiatives to raise employee awareness of environmental issues, including for example recycling, reducing unnecessary single-use plastics, managing our greenhouse gas emissions, and the use of renewable energy.

Some of these responsibilities are managed at R&Co Group level and described in greater detail in the Corporate Social Responsibility section of the R&Co Group financial statements.

By order of the Board

Robert Leitão
N.M. Rothschild & Sons Limited
Registered number: 00925279
New Court, St Swithin's Lane, London EC4N 8AL
4 March 2020

Report of Directors

The Directors present their Directors' report and financial statements for the year ended 31 December 2019. An overview of the business and its performance is included in the strategic report.

Branches and representative offices

The Company had a branch office during the period in Denmark and a representative office in Greece.

Dividends

During the year to December 2019, the Directors declared and paid dividends totalling £85,000,000 (2018: £70,000,000).

Going concern

The Directors are satisfied that, at the time of approving the financial statements, there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, as a result, the Directors continue to adopt the going concern basis in preparing the financial statements.

Directors

The Directors who held office during the period were as follows:

- Nicholas Wrigley (appointed 14 February 2019) (Non-executive Chairman since 1 May 2019)
- Peter Smith (Non-executive Chairman until 30 April 2019)
- Anthony Alt (Deputy Chairman)
- Robert Leitão (Chief Executive Officer appointed 11 January 2019)
- Peter Barbour
- Christopher Coleman
- Andrew Didham (Non-executive)
- Jonathan Westcott

Directors' indemnity

The Company has provided qualifying third-party indemnities for the benefit of its Directors. These were provided during the period and remain in force at the date of this report.

Corporate and social responsibility

Employee information and employment policy

Details of the Company's employment and corporate and social responsibility policies are included in the strategic report with further information provided in the R&Co Group's annual report which can be found at www.rothschildandco.com.

Political donations

No political donations were made, or political expenditure incurred during the period.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office for the next financial year.

Audit Information

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

Report of Directors

Directors' responsibilities statement

The Directors are responsible for preparing the strategic report, the report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRS as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Robert Leitão
N.M. Rothschild & Sons Limited
Registered number: 00925279
New Court, St Swithin's Lane, London EC4N 8AL
4 March 2020

Committees

To facilitate the efficient and effective administration of the Company's affairs, certain functions and responsibilities have been delegated by the NMR Board to the following committees, a number of which cover the wider Rothschild & Co ("R&Co") Group. The terms of reference and membership of these committees are regularly reviewed.

R&Co Group Committees	
R&Co Group Executive Committee The purpose of the Group Executive Committee is to formulate strategy for the R&Co Group's businesses, to assess the delivery of that strategy, to ensure the proper and effective functioning of Group governance structures, operating policies and procedures, to define the Group's risk appetite and to be responsible for the management of risk	Robert Leitão (Co-Chairman), François Pérol (Co-Chairman), Paul Barry, Grégoire Chertok, Mark Crump, Laurent Gagnebin, Javed Khan, Marc-Olivier Laurent, Alain Massiera, Jimmy Neissa, Gary Powell, Martin Reitz, Helen Watson, Jonathan Westcott
R&Co Group Operations Committee The purpose of the Group Operations Committee is to develop further and co-ordinate to best effect the cross-divisional operations of the various businesses and support functions	Mark Crump (Chairman), Paul Barry, Pierre Baudard, Philippe de Conchard, Victor Decrion, Ludovic de Grandpré, Adam Greenbury, Anne Imbach, Philippe Le Bourgeois, John Malik, Warner Mandel, Caroline Nico, Dani Webber, Jonathan Westcott
R&Co Group Assets and Liabilities Committee This committee is responsible for monitoring and managing all balance sheet risks within the Group, overseeing all Treasury operations within the Group and having oversight of the Group Credit Committee	**Membership** Mark Crump (Chairman), Anthony Alt (Deputy Chairman), Peter Barbour, Christian Bouet, Christopher Coleman, Aldo di Rienzo, Adam Greenbury, David Oxburgh
R&Co Group Credit Committee - Corporate Credit Sub-Committee This committee is responsible for the management of corporate lending exposures (including credit risk and the pricing of loans). Exposures exceeding certain limits are subject to ratification by the R&Co Group Assets and Liabilities Committee	**Membership** Christopher Coleman (Chairman), Adam Greenbury, John King, Ian Walker, Nick Wood
New Client Acceptance Committee This committee approves, from a reputational, money laundering and due diligence perspective, all new NMR clients to be accepted by the Global Advisory business	**Membership** Jonathan Westcott (Chairman), Sarah Blomfield, Adam Greenbury, Nicholas Ivey, Luba Kotzeva de Diaz, Axel Stafflage, Albrecht Stewen, Stuart Vincent, William Wells, Adam Young

Committees

R&Co Group Committees which have oversight responsibilities

Committee	Membership
R&Co Group Audit Committee This committee supervises and reviews the Group's process of drawing up financial information, provides an appraisal of the relevance of accounting methods used to draw up individual and consolidated accounts, reviews internal audit arrangements, liaises with the R&Co Group's external auditors and monitors the overall system and standards of internal control	**Membership** Peter Smith (Chairman), Suet-Fern Lee, Arielle Malard de Rothschild, Sipko Schat
R&Co Group Remuneration and Nomination Committee This committee sets the principles and parameters of the remuneration policy for the Group, including the nature and scale of the Group's short and long-term incentive performance arrangements, supervises and reviews the principles of the remuneration policy applicable to senior management and regulated persons, oversees the annual remuneration review and reviews proposals for remuneration, including the total bonus pool and short and long terms incentive performance arrangements	**Membership** Sylvain Héfès (Chairman), Carole Piwnica, Peter Smith, Luisa Todini
R&Co Group Risk Committee This committee advises on the overall current and future risk appetite and strategy, oversees the implementation of that strategy, reviews the material risks and total Group exposures to such risks, reviews the Group's broad guidelines relating to risk management and the effectiveness of the risk management policies, and examines incentives provided by the remuneration policies and practices to ensure that they are consistent in the light of the risk, capital and liquidity, and likelihood and timing of expected earnings for entities	**Membership** Sipko Schat (Chairman), Suet-Fern Lee, Arielle Malard de Rothschild, Peter Smith

Independent Auditor's report to the members of N.M. Rothschild & Sons Limited

Opinion

We have audited the financial statements of N.M. Rothschild & Sons Limited (the "Company") for the period ended 31 December 2019 which comprise the income statement, balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the valuation of the defined benefit obligation and plan assets, valuation of financial assets (equity securities) and the level of expected credit loss relating to loans and advances (other) and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

Independent Auditor's report to the members of N.M. Rothschild & Sons Limited

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

Strategic report and Directors' report

The Directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.
Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's report to the members of N.M. Rothschild & Sons Limited

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Pamela McIntyre

Pamela McIntyre (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

4 March 2020

Income statement
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Fee and commission income	4	423,072	456,621
Fee and commission expense	4	(54,427)	(58,479)
Net fee and commission income		**368,645**	**398,142**
Interest and similar income	5	7,944	6,004
Interest expense and similar charges	5	(9,460)	(1,991)
Net interest (expense) / income		**(1,516)**	**4,013**
Dividend income	6	24,116	6,311
Other operating (expense) / income	7	(1,228)	1,501
Total operating income		**390,017**	**409,967**
Impairment gains on financial instruments	11	1,730	137
Impairment of investment in subsidiary undertakings	15	-	(1,175)
Gains on disposal of associated undertaking	16	8,107	-
Net operating income		**399,854**	**408,929**
Operating expenses	8	(263,134)	(304,154)
Depreciation	17,18	(13,255)	(3,453)
Profit before tax		**123,465**	**101,322**
Tax	10	(15,965)	(17,224)
PROFIT AFTER TAX		**107,500**	**84,098**
Attributable to:			
Ordinary shareholders		98,723	74,579
Holders of perpetual instruments		8,777	9,519
		107,500	**84,098**

The notes on pages 18 to 63 form an integral part of these financial statements

Statement of comprehensive income
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Profit after tax		**107,500**	**84,098**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains on defined benefit pension funds	**23**	(23,485)	16,279
Movement in fair value reserve: net change in fair value of equity investments at FVOCI		(6,087)	8,867
Income tax thereon	**10**	3,992	(2,767)
Other comprehensive income for the period, net of income tax		**(25,580)**	**22,379**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**81,920**	**106,477**
Attributable to:			
Ordinary shareholders		73,143	96,958
Holders of perpetual instruments		8,777	9,519
		81,920	**106,477**

The notes on pages 18 to 63 form an integral part of these financial statements

Balance sheet
as at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Cash		12	14
Loans and advances - banks	11	156,070	292,855
Loans and advances - other	11	256,117	105,895
Investment securities	12	281,298	357,671
Derivatives	13	6,301	475
Other assets	14	120,479	116,850
Investments in subsidiary undertakings	15	10,531	10,531
Investments in associates and joint ventures	16	3,000	30,280
Property, plant and equipment	17	24,766	26,684
Right of use assets	18	147,010	-
Defined benefit pension surplus	23	4,404	7,488
Current tax assets		431	-
Deferred tax assets	22	22,201	20,030
Goodwill	20	4,093	-
Total assets		**1,036,713**	**968,773**
Liabilities			
Due to banks		1	-
Due to group companies		47,155	104,782
Derivatives	13	811	1,760
Lease liabilities	19	178,155	-
Other liabilities	21	39,227	32,840
Defined benefit pension liability	23	4,177	-
Current tax liabilities		-	1,131
Accruals and deferred income		180,203	204,481
Total liabilities		**449,729**	**344,994**
Equity			
Share capital	30	57,655	57,655
Share premium account		97,936	97,936
Retained earnings		238,638	269,346
Fair value reserve		68,420	74,507
		462,649	**499,444**
Perpetual instruments	31	124,335	124,335
Total equity		**586,984**	**623,779**
TOTAL EQUITY AND LIABILITIES		**1,036,713**	**968,773**

The accounts on pages 13 to 63 were approved by the Board of Directors on 2 March 2020 and were signed on its behalf by:

Robert Leitão, Chief Executive Officer
4 March 2020

Peter Barbour, Director
4 March 2020

The notes on pages 18 to 63 form an integral part of these financial statements

Statement of changes in equity for the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Retained earnings £'000	Fair value reserve £'000	Perpetual instruments £'000	Total equity £'000
At 31 December 2018	**57,655**	**97,936**	**269,346**	**74,507**	**124,335**	**623,779**
Transition to IFRS 16 (net of tax – note 34)	-	-	(24,385)	-	-	(24,385)
Restated balance at 1 January 2019	**57,655**	**97,936**	**244,961**	**74,507**	**124,335**	**599,394**
Profit after tax	-	-	98,723	-	8,777	107,500
Other comprehensive income (net of tax):						
Actuarial losses on defined benefit pension funds	-	-	(19,493)	-	-	(19,493)
Equity instruments at fair value through OCI – net change in fair value	-	-	-	(6,087)	-	(6,087)
Total comprehensive income	**-**	**-**	**79,230**	**(6,087)**	**8,777**	**81,920**
Dividends paid	-	-	(85,000)	-	-	(85,000)
Equity-settled share-based payments	-	-	366	-	-	366
Tax relief re equity-settled share-based payments	-	-	(919)	-	-	(919)
Interest on perpetual instruments	-	-	-	-	(9,931)	(9,931)
- tax thereon	-	-	-	-	1,154	1,154
At 31 December 2019	**57,655**	**97,936**	**238,638**	**68,420**	**124,335**	**586,984**

	Share capital £'000	Share premium £'000	Retained earnings £'000	Fair value reserve £'000	Perpetual instruments £'000	Total equity £'000
At 31 December 2017	**57,655**	**97,936**	**240,217**	**74,098**	**124,335**	**594,241**
Transition to IFRS 9 (net of tax)	-	-	807	(1,039)	-	(232)
Restated balance at 1 January 2018	**57,655**	**97,936**	**241,024**	**73,059**	**124,335**	**594,009**
Profit after tax	-	-	74,579	-	9,519	84,098
Other comprehensive income (net of tax):						
Actuarial gains on defined benefit pension funds	-	-	13,512	-	-	13,512
Equity instruments at fair value through OCI – net change in fair value	-	-	-	8,867	-	8,867
Equity instruments at fair value through OCI – realised gain on disposal	-	-	7,419	(7,419)	-	-
Total comprehensive income	**-**	**-**	**95,510**	**1,448**	**9,519**	**106,477**
Dividends paid	-	-	(70,000)	-	-	(70,000)
Equity-settled share-based payments	-	-	371	-	-	371
Tax relief re equity-settled share-based payments	-	-	2,441	-	-	2,441
Interest on perpetual instruments	-	-	-	-	(10,396)	(10,396)
- tax thereon	-	-	-	-	877	877
At 31 December 2018	**57,655**	**97,936**	**269,346**	**74,507**	**124,335**	**623,779**

The notes on pages 18 to 63 form an integral part of these financial statements

Cash flow statement
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Cash flow from operating activities			
Profit before tax		123,465	101,322
Adjustments to reconcile net profit to cash flow from operating activities			
Non-cash items included in net profit and other adjustments			
Depreciation	17,18	13,255	3,453
Interest charge on lease liabilities	19	7,337	-
Dividends received from subsidiaries, associates and joint ventures	6	(22,716)	(4,633)
Profit on disposal of associated undertaking	16	(8,107)	-
Impairment of financial assets (net of recovery)		(1,730)	1,038
Profit on disposal of fixed assets		(12)	(7)
Equity-settled share-based payments		366	371
		(11,607)	**222**
Net (increase)/decrease in operating assets and liabilities			
Derivatives		(6,775)	1,215
Debt and equity securities (excluding cash equivalents)	12	(15,817)	19,066
Loans and advances - other	11	(148,492)	24,202
Other assets		(5,839)	1,855
Net due to / from banks (excluding cash equivalents)		121,040	(172,458)
Due to group companies		(57,627)	41,879
Accrued expenses and other liabilities		(35,002)	48,669
Income taxes (paid)/received (net)		(10,409)	(6,499)
		(158,921)	**(42,071)**
Net cash flow (used in)/from operating activities		**(47,063)**	**59,473**
Cash flow from/(used in) investing activities			
Acquisition of subsidiaries	15	-	(295)
Acquisition of business		(4,239)	-
Dividends received from subsidiaries, associates and joint ventures	6	22,716	4,633
Proceeds from disposal of associate	16	35,387	-
Rent paid on right of use assets	19	(12,545)	-
Purchase of fixed assets	17	(1,871)	(69)
Proceeds from disposal of fixed assets		12	7
Net cash flow from investing activities		**39,460**	**4,276**
Cash flow used in financing activities			
Dividends paid	26	(85,000)	(70,000)
Interest paid on perpetual instruments	26	(9,931)	(10,396)
Net cash flow used in financing activities		**(94,931)**	**(80,396)**
Net increase/(decrease) in cash and cash equivalents		**(102,534)**	**(16,647)**
Cash and cash equivalents at beginning of period		327,995	344,642
Cash and cash equivalents at end of period	27	**225,461**	**327,995**

Interest receipts and payments during the period were as follows:

	2019 £'000	2018 £'000
Interest received	8,293	4,483
Interest paid	2,123	1,991

The notes on pages 18 to 63 form an integral part of these financial statements

Notes to the financial statements
(forming part of the financial statements)

1 Summary of significant accounting policies

N.M. Rothschild & Sons Limited ("the Company") is a private company limited by shares and incorporated in England and Wales. The Company's registered office address is at New Court, St Swithin's Lane, London, EC4N 8AL.

Developments in reporting standards and interpretations

Standards affecting the financial statements

IFRS 16 Leases

IFRS 16, Leases, which replaced IAS 17, Leases, was applied with effect from 1 January 2019, using the modified retrospective approach. IFRS 16 introduced a single lessee accounting model whereby the classification of leases as either operating or financial leases is no longer relevant. Instead, the standard requires a lessee, subject to a few limited exemptions, to recognise a right of use asset representing the right to use the underlying asset and lease liability to represent the obligations to make lease payments. Previously, the Company recognised the rental expense associated with these leases on an accruals basis From 1 January 2019, the Company now recognises a depreciation charge for the right of use asset and an interest expense on the lease liabilities.

For all third-party leases, the right of use asset on transition to IFRS 16 is measured as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

For the intra-group lease, the right of use asset on transition to IFRS 16 is measured at the lease's carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the appropriate borrowing rate at the date of initial application.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- Applied an explicit recognition and measurement exemption for leases for which the term ends within 12 months or fewer of the date of initial application and account for those leases as short-term leases;
- Used hindsight in applying the new leases standard, for example, in determining the lease term if the contract contains options to extend or terminate the lease; and
- Excluded initial direct costs in the measurement of the right of use asset.

A summary of the effect of transition to IFRS 16 on the Company's balance sheet is provided in note 34.

New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for accounting periods ending after 31 December 2019 and therefore have not been applied in preparing these financial statements. The Company has reviewed these new standards to determine their effects on the Company's financial reporting. None of these are expected to have a significant effect on the Company's financial statements.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations endorsed by the European Union ("EU") and with those requirements of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared under the historical cost convention, except that financial assets held for trading or designated as fair value through profit or loss and all derivative contracts are stated at their fair value.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

The principal accounting policies set out below have been consistently applied in the presentation of the financial statements.

Going concern

The Company's business activities, together with the principal risks and uncertainties, are set out in the strategic report. In addition, note 2 to the financial statements sets out the strategy and processes for managing the Company's capital and financial risks and provides details of its exposures to credit, market and liquidity risk. The Company's policy is to have considerable financial resources to continue to generate new profitable business. It is well placed to manage its business risk for the foreseeable future despite an uncertain economic outlook.

There is, therefore, an expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

Investments in subsidiary undertakings

Subsidiary undertakings are all entities which are controlled by the Company. The Company 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiary undertakings are carried at cost less any impairment losses.

Associates and joint arrangements

An associated undertaking is an entity in which the Company has significant influence, but not control, over the operating and financial management policy decisions. This is generally demonstrated by the Company holding in excess of 20 per cent, but no more than 50 per cent, of the voting rights.

Joint arrangements are where two or more parties, through a contractual arrangement, have joint control over the assets and liabilities of an arrangement. Depending on what those rights and obligations are, the joint arrangement will either be a joint operation (where the parties subject to the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement) or a joint venture (where the parties subject to the arrangement have rights to the net assets of the arrangement). During the period, the Company only had interests in joint ventures.

Investments in associates and joint ventures are carried at cost less any impairment losses.

Foreign exchange

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions, and from the translation at period end exchange rates of monetary items that are denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates when the fair value was determined.

Translation differences on equities classified as at fair value through profit or loss are reported as part of the fair value gain or loss in the income statement. Translation differences on equities classified as FVOCI are included in the fair value reserve in equity.

Derivative financial instruments

Derivatives are entered into for risk management purposes and are measured at fair value, with transaction costs recorded immediately in the income statement. Subsequent to initial recognition, changes in fair value are recognised in the income statement.

Fee and commission income

The Company earns fee and commission income from services provided to clients. Fee income from advisory and other services can be divided into two broad categories: fees earned from services that are provided over a period of time, which are recognised over the period in which the service is provided; and fees that are earned on completion of a significant act or on the occurrence of an event, such as the completion of a transaction, which are recognised when the act is completed or the event occurs.

Fees and commissions that are an integral part of a loan, and loan commitment fees for loans that are likely to be drawn down, are deferred (together with related direct costs) and recognised over the life of the loan as an adjustment to the effective interest rate.

Interest income and expense

Interest income and expense represents interest arising out of lending and borrowing activities, interest on related hedging transactions and interest on debt securities. Interest income and expense is recognised in the income statement using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the estimated future cashflows of a financial instrument to its net carrying amount. It is used to calculate the amortised cost of a financial asset or liability and to allocate the interest over the relevant period (usually the expected life of the instrument). When calculating the effective interest rate, the Company considers all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes any premiums or discounts, as well as all fees and transaction costs that are an integral part of the financial asset.

Financial assets

The Company initially recognises loans and advances and deposits on the date on which they start. All other financial assets and liabilities are recognised on trade date.

On initial recognition financial assets are classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit and loss ("FVTPL").

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purposes of this assessment "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amounts and timing of cash flows;
- prepayment and extension terms;
- leverage features;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

Financial assets measured at fair value through other comprehensive income ("FVOCI")

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial assets measured at fair value through profit and loss ("FVTPL")

All other financial assets are classified as measured at FVTPL.

Business model assessment

The Company makes an assessment of the business model in which a financial asset is held based on the way in which the business is managed, and information provided to management. The information considered includes:

- how the performance of the asset is evaluated and reported to management;
- the risks that affect the performance of the business model and how those risks are managed;
- how managers of the business are compensated; and
- the frequency and volume of historic and expected sales.

Offsetting

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Company recognises expected credit losses ("ECL") for all financial assets recognised at amortised cost and for debt instruments that are measured at FVOCI. No impairment loss is recognised on equity investments.

ECLs are a probability-weighted estimate of credit losses and the Company measures it over a financial assets lifetime except for financial assets that are not credit-impaired at the reporting date and on which credit loss has not increased significantly since initial recognition, for which they are measured at 12-month ECL. ECL is estimated at the present value of all expected cash shortfalls compared to those due under the contract. For financial assets that are credit-impaired at the reporting date, the ECL is calculated as the difference between the gross carrying amount of the asset and the estimate of the present value of future cash flows.

Debt/equity classification

Under IFRS the critical feature in differentiating a debt instrument from an equity instrument is the existence of a contractual obligation of the Company to deliver cash (or another financial asset) to another entity. Where there is no such contractual obligation, the Company will classify the financial instrument as equity, otherwise it will be classified as a liability and carried at amortised cost. The terms of the perpetual debt instruments issued by the Company permit interest payments to be waived unless the Company has paid a dividend in the previous six months and are therefore considered to be equity.

Property, plant and equipment

All property, plant and equipment is stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset including, in respect of leasehold improvements, costs incurred in preparing the property for occupation.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to write down the cost of assets to their residual values over their estimated useful lives, as follows:

Computer equipment	2-10 years
Cars	3-5 years
Fixtures and fittings	3-10 years
Leasehold improvements	4-24 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These gains and losses are recognised in the income statement.

Impairment of property, plant and equipment

At each balance sheet date, or more frequently where events or changes in circumstances dictate, property, plant and equipment is assessed for indications of impairment. If such indications are present, those assets are subject to an impairment review. If impaired, the carrying values of assets are written down by the amount of any impairment and the loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount. The carrying amount of the fixed asset is only increased up to the amount that it would have been had the original impairment not been recognised.

Right of use assets and lease liabilities

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised, but is tested annually for impairment, or more frequently when circumstances indicate that its carrying amount is too high. Impairment losses on goodwill are recognised in the income statement and are not reversed.

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, including treasury bills and investments in money market funds.

Pensions

The Company's post-retirement benefit arrangements are described in note 23. The Company operates pension and other post-retirement benefit schemes, both funded and unfunded, of the defined benefit and defined contribution types. For defined contribution schemes, the contribution payable in respect of the accounting period is recognised in the income statement.

Re-measurement gains and losses in the defined benefit schemes are recognised outside the income statement and presented in the statement of comprehensive income. The amount recognised in the balance sheet in respect of defined benefit schemes is the difference, if any, between the present value of the defined benefit obligation at the balance sheet date and the fair value of the plan's assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The principal assumptions are set out in note 23. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liabilities.

Compensation schemes

The Company operates bonus schemes for the benefit of employees. The costs of such schemes are recognised in the income statement over the period in which the services are rendered that give rise to the obligation. Where the payment of a bonus is deferred until the end of a specified vesting period, the deferred amount is recognised in the income statement over the period up to the date of vesting.

The Company has entered into cash- and equity-settled share-based payment transactions as part of the long-term profit share schemes. The fair value of such awards is independently measured at the date the awards are made and re-measured at each reporting date. Such awards are recognised in the income statement over the vesting period.

Notes to the financial statements
(forming part of the financial statements)

Share options are treated as equity-settled share-based payments. They are valued at the date they are granted to employees and that value is recognised in staff costs over the vesting period, with a corresponding adjustment to shareholders' equity. The fair value is calculated based on the overall plan value at the date of grant. In the absence of any market for stock options, models are used to value the share-based payments. The only assumptions revised after the initial measurement, and hence resulting in a revaluation of the expense, are those relating to the probability that employees will leave the Rothschild & Co Group.

Taxation

Tax payable on profits and deferred tax are recognised in the income statement except to the extent that they relate to items that are recognised in equity, in which case the tax is also recognised in equity.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates and laws that are expected to apply when a deferred tax asset is realised, or when a deferred tax liability is settled.

Deferred tax assets, including the tax effects of income tax losses available for carry forward, are only recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is not provided on temporary differences arising from investments in subsidiary undertakings and associated undertakings, unless the timing of the reversal of the temporary difference is controlled by a third party or it is probable that the difference will reverse in the foreseeable future.

Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are declared by the Company's Board of Directors.

Provisions and contingencies

Provisions are recognised only when the Company has a present obligation (legal or constructive) as a result of past events. In addition, it must be probable that a transfer of economic benefits will be required to settle the obligation, and it must also be possible to make a reliable estimate of the amount of the obligation.

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed by one or more uncertain future events not wholly within the Company's control, or present obligations that are not recognised either because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be reliably estimated. Contingent liabilities are disclosed unless the possibility of a transfer of economic benefits is remote.

Notes to the financial statements
(forming part of the financial statements)

Accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies.

Valuation of financial assets and liabilities

Fair value is the price that would be received on selling an asset or paid to transfer a liability in an orderly transaction between market participants. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists (such as a recognised exchange), as this is the best evidence of the fair value of a financial instrument. Market prices are not, however, available for certain financial assets and liabilities held or issued by the Company. Where no active market price or rate is available, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions existing at the balance sheet date.

A description of the valuation techniques used, analysis of assets and liabilities carried at fair value by valuation hierarchy, and a sensitivity analysis of valuations not primarily based on observable market data, is provided in note 3 to the financial statements.

Impairment of financial assets

The Company recognises expected credit losses ("ECL") for all financial assets recognised at amortised cost and for debt instruments that are measured at FVOCI.

The accuracy of any expected credit loss allowance subsequently made depends on how accurately the Company estimates future cashflows for specific counterparties, particularly the fair value of any collateral, and the model assumptions and parameters used in determining provisions. While this necessarily involves judgement, the Company believes that its allowances and provisions are reasonable and supportable.

Pensions

The defined benefit obligation is calculated by independent actuaries using the projected unit credit method and the principal assumptions used are set out in note 23. The assumptions that have the greatest impact on the measurement of the pension fund liability, along with their sensitivities, are also set out in note 23.

Deferred tax

Deferred tax assets, including those in relation to tax losses carried forward, are only recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised. As part of the assessment of recoverability of deferred tax as at the balance sheet date, and using medium-term profit forecasts, the Company expects sufficient taxable profits to arise to utilise the deferred tax assets. During the year, the Company has utilised all brought forward UK tax losses.

IFRS 16

All contracts are reviewed for evidence that they contain a lease. The calculation of the right of use asset and reciprocal liability includes management assumptions on the Group's incremental borrowing rate and any lease terms which include optional lease periods. A reduction of 0.1% on the assumption of the incremental borrowing rate would have increased the right of use asset and the associated lease liability recognised by approximately £1,700,000. Further information is set out in notes 18,19 and 34.

2 Financial risk management

2.1 Key risks in using financial instruments

The key risks arising from the Company's activities involving financial instruments are as follows:

- Credit risk – the risk of loss arising from client or counterparty default;
- Market risk – exposure to changes in market variables such as interest rates, currency exchange rates, equity and debt prices; and
- Liquidity and funding risk – the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

2.2 Credit risk

Credit risk arises from all exposures to clients and counterparties relating to the Company's lending and investment activities. Limits on credit risk are set by the R&Co Group Executive Committee and overseen by the R&Co Group Credit Committee. The Credit Committee reviews concentrations and makes recommendations on credit decisions to the R&Co Group Assets and Liabilities Committee. Credit risk limits are set, where appropriate, in respect of exposures to individual clients or counterparties, to industry sectors and to countries.

Exposure to credit risk is managed by detailed analysis of counterparty creditworthiness prior to entering into an exposure, and by continued monitoring thereafter. A significant proportion of the Company's non-group lending exposures is secured on property or other assets and the Company monitors the value of this collateral. For internal monitoring purposes, credit exposure on loans and debt securities is measured as the principal amount outstanding plus accrued interest. Credit exposure on derivatives is measured as the current replacement value plus an allowance for the potential change in replacement value.

The Company recognises expected credit losses ("ECL") for all financial assets recognised at amortised cost and for debt instruments that are measured at FVOCI. No impairment loss is recognised on equity investments.

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired at the reporting date and on which credit loss has not increased significantly since initial recognition is classified as Stage 1 and its ECL is measured at expected credit losses over the next 12 months.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit impaired and its ECL is measured based on expected credit losses on a lifetime basis.
- A financial instrument that is deemed to be credit-impaired is moved to Stage 3 ECL is measured based on expected credit losses on a lifetime basis.

The Credit Committee reviews credit exposures on loans and debt securities on a quarterly basis using the following categories:

Category	Definition	ECL basis of measurement
Category 1	Exposures where the payment of interest or principal is not in doubt and which are not designated categories 2 to 5.	Stage 1 (except for trade receivables – Stage 2)
Category 2	Exposures where the payment of interest or principal is not in doubt, but which require closer observation than usual due to some deterioration in the position of the client, for example: poor trading results; difficult conditions in the client's market sector; competitive or regulatory threats; or the potential impact from currency or other factors.	Stage 2
Category 3	Exposures where there has been further deterioration in the position of the client. Although the exposure is not considered to be impaired, the relationship requires close monitoring by the front office team.	Stage 2
Past due but not impaired	Exposures that have failed to make a scheduled interest or principal repayment although full recovery is expected.	Stage 2
Category 4	Exposures that are considered to be impaired and which carry a provision against part of the loan. Some recovery is expected to be made.	Stage 3
Category 5	Exposures that are considered to be impaired and which carry a full provision. No significant recovery of value is expected.	Stage 3

Notes to the financial statements
(forming part of the financial statements)

A Credit risk exposure

The tables below disclose the maximum exposure to credit risk at the reporting date for financial assets with significant exposure to credit risk, without taking account of collateral held or other credit risk mitigation. Accounts receivable are treated as past due when more than 90 days has elapsed since the invoice was issued.

	Stage 1	Stage 2			Stage 3		
	Category 1	Category 2	Category 3	Past due but not impaired	Categories 4 and 5	Expected credit loss	Total (net)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2019							
Cash	12	-	-	-	-	-	12
Derivatives	6,301	-	-	-	-	-	6,301
Loans and advances - banks	156,070	-	-	-	-	-	156,070
Loans and advances - other	243,074	2,448	-	-	25,550	(14,955)	256,117
Debt securities	70,285	-	1,457	-	-	-	71,742
Commitments and guarantees	147,176	-	-	-	-	-	147,176
Other financial assets	91,232	-	-	14,544	7,054	(5,095)	107,735
TOTAL	**714,150**	**2,448**	**1,457**	**14,544**	**32,604**	**(20,050)**	**745,153**
	Category 1	Category 2	Category 3	Past due but not impaired	Categories 4 and 5	Expected credit loss	Total (net)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2018							
Cash	14	-	-	-	-	-	14
Derivatives	475	-	-	-	-	-	475
Loans and advances - banks	292,855	-	-	-	-	-	292,855
Loans and advances - other	87,827	2,448	-	9,833	27,206	(21,419)	105,895
Debt securities	161,195	-	1,529	-	-	-	162,724
Commitments and guarantees	153,235	-	-	-	-	-	153,235
Other financial assets	81,003	-	-	22,142	1,506	(1,506)	103,145
TOTAL	**776,604**	**2,448**	**1,529**	**31,975**	**28,712**	**(22,925)**	**818,343**

The table below analyses amounts past due but not impaired:

	Past due by < 6 months	Past due by > 6 months	Total
	£'000	£'000	£'000
At 31 December 2019			
Other financial assets	4,792	9,752	14,544
TOTAL	**4,792**	**9,752**	**14,544**
At 31 December 2018			
Loans and advances - other	-	9,833	9,833
Other financial assets	10,053	12,089	22,142
TOTAL	**10,053**	**21,922**	**31,975**

Notes to the financial statements
(forming part of the financial statements)

B Collateral

All third party commercial lending is secured. This collateral is split by type, as either specific or general.

Specific collateral is readily identifiable, the majority of which will be charges over property. If necessary, there is a realistic possibility of both taking possession of and realising the collateral.

General collateral will be more difficult to both identify and realise. It will usually be a general floating charge over the assets of a business and is typically attached to leveraged finance assets. It is not practicable to ascribe a specific value to this collateral.

Unimpaired loans (categories 1 to 3) are covered by both specific and general collateral. Unimpaired amounts covered by specific collateral include property lending of £2.4m. Where a loan is deemed to be impaired (category 4 and 5 assets), the level of the impairment charge is primarily driven by any expected shortfall in the collateral value, although it is also influenced by the ability of the borrower to service the debt.

Collateral is valued independently at the time the loan is made and periodically thereafter depending on the specific circumstances. Management are able to roll forward a valuation for reporting purposes via a combination of specific knowledge of the collateral, the market and the application of general indices.

The table below gives an estimate of the fair value of collateral, all of which is property related, that could be realised by the Company as security against exposures to customers that are individually impaired and past due but not impaired. There is no collateral recognised for other asset classes.

	Past due but not impaired 2019 £'000	Individually impaired 2019 £'000	Past due but not impaired 2018 £'000	Individually impaired 2018 £'000
Property	-	17,091	9,833	16,280
Amount of loans collateralised	-	25,550	9,833	27,206

C Forbearance

As refinancing and sale options continue to be limited, it is generally in the lender's and borrower's interest to extend certain facilities at maturity and not to foreclose on the security. This assumes there are no underlying issues regarding the borrower's ability to continue to service the loan and the level of collateral is expected to be of sufficient quality to secure the principal.

Unimpaired loans extended in this manner are not categorised as either past due or as forborne. As at 31 December 2019, loans with a carrying value of £2.4m had been extended (2018: £2.4m), all of which were property loans.

There were no loans which were overdue as at 31 December 2019 (2018: £9.8m).

D Credit risk concentrations

The Company monitors concentrations of credit risk by geographic location and by industry sector. The following tables show an analysis of credit risk by location and by sector. The location for loans and advances is determined by reference to the location of the borrower, and debt securities are recorded based on the location of the issuer of the security.

Credit risk by location	UK and Channel Islands £'000	Other Europe £'000	US and Canada £'000	Other £'000	Total £'000
At 31 December 2019					
Cash and balances at central banks	12	-	-	-	12
Derivatives	6,301	-	-	-	6,301
Loans and advances - banks	21,418	131,608	3,044	-	156,070
Loans and advances - other	153,376	100,560	-	2,181	256,117
Debt securities	70,138	1,457	147	-	71,742
Commitments and guarantees	143,309	-	-	3,867	147,176
Other financial assets	53,460	41,643	5,115	7,517	107,735
TOTAL	**448,014**	**275,268**	**8,306**	**13,565**	**745,153**
At 31 December 2018					
Cash and balances at central banks	14	-	-	-	14
Derivatives	475	-	-	-	475
Loans and advances - banks	34,007	257,997	851	-	292,855
Loans and advances - other	61,489	40,813	-	3,593	105,895
Debt securities	161,038	1,529	157	-	162,724
Commitments and guarantees	153,235	-	-	-	153,235
Other financial assets	54,365	31,365	8,667	8,748	103,145
TOTAL	**464,623**	**331,704**	**9,675**	**12,341**	**818,343**

Credit risk by industry sector	2019 £'000	2018 £'000
Financial (see below)	30,902	42,384
Real estate (see below)	16,050	21,367
Governments and Central Banks	70,139	161,038
Private persons	704	577
Related party loans, commitments and guarantees	519,623	489,832
TOTAL	**637,418**	**715,198**

Notes to the financial statements (forming part of the financial statements)

Financial and real estate sector exposures are analysed as follows:

Financial sector	2019 £'000	2018 £'000
Short term interbank exposures	29,823	42,023
Other	1,079	361
TOTAL	**30,902**	**42,384**

Short term interbank lending is held for liquidity management purposes.

Real estate sector	2019 £'000	2018 £'000
Senior loans	14,963	19,949
Subordinated/mezzanine	1,087	1,418
TOTAL	**16,050**	**21,367**

E Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

	2019			2018		
	Gross amount of financial asset £'000	Gross amount of financial liability offset £'000	Net amount £'000	Gross amount of financial asset £'000	Gross amount of financial liability offset £'000	Net amount £'000
Financial assets offset						
Loans and advances - banks	12,535	(11,456)	1,079	8,037	(7,676)	361
Loans and advances - others	141,921	(19,627)	122,294	-	-	-

	2019			2018		
	Gross amount of financial liability £'000	Gross amount of financial asset offset £'000	Net amount £'000	Gross amount of financial liability £'000	Gross amount of financial asset offset £'000	Net amount £'000
Financial liabilities offset						
Due to group companies	-	-	-	131,844	(77,001)	54,843

Notes to the financial statements
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2.3 Market risk

Market risk arises as a result of the Company's activities in interest rate, currency, equity and debt markets and comprises interest rate, foreign exchange and equity and debt price risk. Exposure to market risk continues to be small in relation to capital.

Limits on market risk exposure are set by the R&Co Group Assets and Liabilities Committee and are independently monitored.

Market risks associated with treasury and equity positions are set out below with a description of risk management and the levels of risk.

Equities

The Company has exposure to equity price risk through holdings of equity investments. Each position is approved by senior management and is monitored on an individual basis. The table below shows the Company's equity price risk by location, excluding investments in money market funds which can be redeemed on demand (see note 12).

Equity price risk by location	UK £'000	Other Europe £'000	Total £'000
At 31 December 2019			
Equity investments	85,561	29,471	115,032
At 31 December 2018			
Equity investments	85,586	34,808	120,394

The equity exposure to "Other Europe" consists principally of minority investments held in Rothschild & Co SCA.

If the price of these equities were to fall by 5 per cent, then there would be a post-tax charge to the income statement of £261,000 and a post-tax charge to equity of £5,429,000 (2018: £232,000 and £5,733,000 respectively). Similarly, if the price of the remaining equities were to rise by 5 per cent, then there would be a post-tax credit to the income statement of £261,000 and a post-tax credit to equity of £5,429,000 (2018: £232,000 and £5,733,000 respectively).

Currency risk

The table below summarises net exposure to foreign currency exchange rate risk measured by reference to the foreign currency exposures of monetary assets and liabilities after taking account of positions in derivatives. The net exposure reflects timing differences between the recognition of foreign currency revenues and subsequent hedging transactions.

	Long/(short) 2019 £'000	Long/(short) 2018 £'000
US$	1,517	2,102
Euro	(205)	1,025
Other	2,072	557

If the value of these currencies fell by 5 per cent against sterling, then there would be a post-tax charge to the income statement of £137,000 (2018: charge of £149,000). There would be no material impact on equity.

If the value of these currencies rose by 5 per cent against sterling, then there would be a post-tax credit to the income statement of £137,000 (2018: credit of £149,000). There would be no material impact on equity.

Notes to the financial statements (forming part of the financial statements)

Interest rate risk

The following table summarises exposure to interest rate risk by showing the impact on the fair value of interest-bearing assets and liabilities, and of interest rate derivatives, if base interest rates in each currency shown moved up or down by 1 per cent. This table includes all interest rate risk within the businesses, and the structural interest rate exposure that arises from the reinvestment of shareholders' funds.

	Sterling £'000	Euro £'000
At 31 December 2019		
+ 1%	(356)	(478)
- 1%	356	478
At 31 December 2018		
+ 1%	(519)	(190)
- 1%	519	190

2.4 Liquidity risk

Liquidity risk is defined as the risk that an entity cannot meet its cash obligations as they fall due. Liquidity risk arises principally from the mismatch of contractual maturities of assets and liabilities inherent in the business, including contingent liabilities. The Company's policy is to ensure that it has sufficient resources to meet its financial commitments as they are expected to fall due and this is monitored on a daily basis. This is overseen by the NMR Balance Sheet and Treasury Committee which, along with approving the types of liquid assets held by the Company, monitors projected cash positions over the next 18 months.

The tables below analyse the Company's financial assets and liabilities based on contractual maturity, apart from the equity investments in the money market funds which can be called upon for settlement on demand. Loan commitments and guarantees are included at the earliest date they can be drawn down or called upon.

	Demand/ next day £'000	2 days - 3m £'000	3m - 1 yr £'000	> 1 year £'000	No fixed maturity £'000	Total £'000
At 31 December 2019						
Cash	12	-	-	-	-	12
Loans and advances - banks	21,070	135,000	-	-	-	156,070
Derivatives	-	6,301	-	-	-	6,301
Loans and advances - other	14,240	23,751	71,535	152,092	(5,501)	256,117
Investment securities	94,523	51,221	18,917	1,604	115,033	281,298
Other financial assets	-	107,735	-	-	-	107,735
TOTAL	**129,845**	**324,008**	**90,452**	**153,696**	**109,532**	**807,533**
Due to banks	1	-	-	-	-	1
Due to group companies	47,155	-	-	-	-	47,155
Derivatives	-	811	-	-	-	811
Commitments and guarantees	-	147,176	-	-	-	147,176
Lease liabilities	-	1,364	4,222	172,569	-	178,155
Other financial liabilities	-	27,861	-	-	-	27,861
TOTAL	**47,156**	**177,212**	**4,222**	**172,569**	**-**	**401,159**

Notes to the financial statements
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	Demand/ next day £'000	2 days - 3m £'000	3m - 1 yr £'000	> 1 year £'000	No fixed maturity £'000	Total £'000
At 31 December 2018						
Cash	14	-	-	-	-	14
Loans and advances - banks	12,855	280,000	-	-	-	292,855
Derivatives	-	228	247	-	-	475
Loans and advances - other	13,253	36,490	56,876	4,042	(4,766)	105,895
Investment securities	74,554	161,039	-	1,686	120,392	357,671
Other financial assets	-	103,145	-	-	-	103,145
TOTAL	**100,676**	**580,902**	**57,123**	**5,728**	**115,626**	**860,055**
Due to banks	-	-	-	-	-	-
Due to group companies	104,782	-	-	-	-	104,782
Derivatives	-	1,760	-	-	-	1,760
Commitments and guarantees	-	153,235	-	-	-	153,235
Other financial liabilities	-	23,688	-	-	-	23,688
TOTAL	**104,782**	**178,683**	**-**	**-**	**-**	**283,465**

2.5 Maturity of financial liabilities

The following table shows undiscounted contractual cash flows, including interest, payable by the Company on financial liabilities, analysed by remaining contractual maturity at the balance sheet date. Loan commitments and guarantees are included at the earliest date they can be drawn down or called upon. This table does not reflect the liquidity position of the Company.

	Demand/ next day £'000	2 days - 3m £'000	3m - 1 yr £'000	> 1 year £'000	No fixed maturity £'000	Total £'000
At 31 December 2019						
Due to banks	1	-	-	-	-	1
Due to group companies	47,155	-	-	-	-	47,155
Lease liabilities	-	1,364	4,222	172,569	-	178,155
Other financial liabilities	-	27,861	-	-	-	27,861
TOTAL	**47,156**	**29,225**	**4,222**	**172,569**	**-**	**253,172**
Commitments and guarantees	**-**	**147,176**	**-**	**-**	**-**	**147,176**
At 31 December 2018						
Due to banks	-	-	-	-	-	-
Due to group companies	104,782	-	-	-	-	104,782
Other financial liabilities	-	23,688	-	-	-	23,688
TOTAL	**104,782**	**23,688**	**-**	**-**	**-**	**128,470**
Commitments and guarantees	**-**	**153,235**	**-**	**-**	**-**	**153,235**

2.6 Capital management

The Company is now designated as an "exempt CAD" firm by the Financial Conduct Authority. The Company's capital management policy is to ensure that it is strongly capitalised and compliant with regulatory requirements. Furthermore, the Company's risk management processes are designed to ensure that all risks are identified and are covered by capital or other appropriate matters.

3 Fair value of financial assets and liabilities

Fair value is the price that would be received on selling an asset or paid to transfer a liability in an orderly transaction between market participants. For financial instruments carried at fair value, market prices or rates are used to determine that fair value where an active market exists (such as a recognised exchange), as this is the best evidence of the fair value of a financial instrument. Market prices are not, however, available for certain financial assets and liabilities held or issued by the Company. Where no active market price or rate is available, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions existing at the balance sheet date. The valuation may be derived from quotations received from various sources. Where the market is illiquid, the quotations may not be supported by prices from actual market transactions.

Valuation techniques are generally applied to over the counter derivative transactions and unlisted debt and equity securities. The most frequently applied pricing models and valuation techniques use discounted cashflows. The values derived from modelling discounted cashflows are significantly affected by judgements and assumptions made concerning factors such as the amounts and timing of future cashflows, discount rates, and credit quality.

The methods adopted to determine the fair value of each type of financial asset or liability are summarised below:

- **Cash and balances at central banks, loans and advances - banks and due to banks.** The fair values of these instruments are materially the same as their carrying values due to their short-term nature.
- **Loans and advances - other.** The fair values of loans and advances to customers are based on observable market transactions, obtained from market data providers where available. Where observable market transaction data is not available, fair value is estimated using valuation models that incorporate a range of input assumptions. These assumptions include estimates of current market pricing and valuations of collateral held, adjusted by appropriate indices.
- **Due to group companies.** The fair values of these instruments are determined by discounting the future cashflows at current market interest rates for instruments of similar remaining maturities, adjusted for the appropriate credit spread.
- **Other financial assets and liabilities.** Fair value is considered to be the same as carrying value for these assets.
- **Derivatives and debt and equity securities.** These are carried in the balance sheet at fair value, usually determined using quoted market prices or other observable inputs. Debt securities or unlisted equity securities for which no price is available are valued by discounting expected future cashflows at market interest rates adjusted for appropriate credit spreads or using other valuation techniques.

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The fair values of financial assets and liabilities have been classified into a three level valuation hierarchy, whereby the valuation level is determined using the following criteria:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from market data to a significant extent). This category includes instruments that are valued based on quoted prices for similar instruments and for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Level 3: Inputs for the asset or liability that are not based primarily on observable market data (unobservable inputs). Typically, this will be used for instruments with uncertain cashflows and the valuation will therefore depend upon the expected cashflows, estimated maturity and the discount factor used.

Financial assets and liabilities carried at amortised cost

			Measured using		
	Carrying value £'000	**Fair value £'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
At 31 December 2019					
Financial assets					
Loans and advances - banks	156,070	156,070	-	156,070	-
Loans and advances - other	256,117	250,528	-	247,354	3,174
Debt securities	70,138	70,130	70,130	-	-
Other financial assets	107,735	107,735	-	107,735	-
TOTAL	**590,060**	**584,463**	**70,130**	**511,159**	**3,174**
Financial liabilities					
Due to banks	1	1	-	1	-
Due to group companies	47,155	47,155	-	47,155	-
Other financial liabilities	27,861	27,861	-	27,861	-
TOTAL	**75,017**	**75,017**	**-**	**75,017**	**-**
At 31 December 2018					
Financial assets					
Loans and advances - banks	292,855	292,855	-	292,855	-
Loans and advances - other	105,895	100,524	-	94,739	5,785
Debt securities	161,038	161,215	161,215	-	-
Other financial assets	103,145	103,145	-	103,145	-
TOTAL	**662,933**	**657,739**	**161,215**	**490,739**	**5,785**
Financial liabilities					
Due to group companies	104,782	104,782	-	104,782	-
Other financial liabilities	23,688	23,688	-	23,688	-
TOTAL	**128,470**	**128,470**	**-**	**128,470**	**-**

Financial assets and liabilities carried at fair value

	Carrying value equal to fair value £'000	Measured using Level 1 £'000	Measured using Level 2 £'000	Measured using Level 3 £'000
At 31 December 2019				
Financial assets				
Derivatives	6,301	-	6,301	-
Debt securities	1,604	-	1,604	-
Equity securities	209,556	123,993	44	85,519
TOTAL	**217,461**	**123,993**	**7,949**	**85,519**
Financial liabilities				
Derivatives	811	-	811	-
TOTAL	**811**	**-**	**811**	**-**

	Carrying value equal to fair value £'000	Measured using Level 1 £'000	Measured using Level 2 £'000	Measured using Level 3 £'000
At 31 December 2018				
Financial assets				
Derivatives	475	-	475	-
Debt securities	1,686	-	1,686	-
Equity securities	194,947	109,357	71	85,519
TOTAL	**197,108**	**109,357**	**2,232**	**85,519**
Financial liabilities				
Derivatives	1,760	-	1,760	-
TOTAL	**1,760**	**-**	**1,760**	**-**

Assets measured at fair value based on Level 3

There were no significant transfers between assets valued at Level 1 and at Level 2 in the period. The movements in assets valued using Level 3 valuation are as follows:

	2019	2018
Equity securities	**£'000**	**£'000**
Opening balance	85,519	106,704
Total gains and (losses):		
- through other comprehensive income	-	8,348
Disposals	-	(29,533)
CLOSING BALANCE	**85,519**	**85,519**

Notes to the financial statements (forming part of the financial statements)

The table below sets out information about significant unobservable inputs used at 31 December 2018 and 2019 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Description	Fair value £'000	Valuation technique	Unobservable input	Fair value measurement sensitivity to unobservable inputs
Equity securities – fair value through OCI	85,519	External valuation based on asset value	Value of underlying property based on market yields	Increase in market yield of 0.1% would give rise to an increase in fair value of £5m

4 Net fee and commission income

	2019 £'000	2018 £'000
Fee and commission income		
Global Advisory fees received	422,010	454,432
Banking and credit related fees and commissions	62	1,433
Other fees	1,000	756
TOTAL	**423,072**	**456,621**
Fee and commission expense		
Global Advisory fees payable	54,059	58,260
Other fees paid	368	219
TOTAL	**54,427**	**58,479**

Global advisory fees payable represent fees paid to other members of the R&Co Group where the Company has worked in collaboration with another group company on a transaction.

5 Net interest income

	2019 £'000	2018 £'000
Interest income		
Interest earned on loans and advances	4,656	4,106
Interest earned on investment securities measured at amortised cost	711	665
Interest earned on investment securities measured at fair value through profit and loss	3	12
Interest earned on other financial assets measured at fair value through profit and loss	2,574	1,221
TOTAL	**7,944**	**6,004**
Interest expense		
Interest on amounts due to banks and customers	2,123	1,991
Interest on lease liabilities	7,337	-
TOTAL	**9,460**	**1,991**

Included within interest income is £319,000 (2018: £487,000) in respect of interest income accrued on impaired financial assets.

6 Dividend income

	2019 £'000	2018 £'000
Dividends from subsidiary undertakings	15,000	875
Dividends from associated undertakings	1,853	2,723
Dividends from joint ventures	5,863	1,035
Dividends from other group companies	930	1,074
Dividends from investments measured at fair value through profit and loss	470	604
TOTAL	**24,116**	**6,311**

7 Other operating (expense) / income

	2019 £'000	2018 £'000
Other operating income		
Rental income	99	150
Equities designated as fair value through profit and loss – net change in fair value	(2,082)	(215)
Foreign exchange gains/(losses)	667	(459)
Other	88	2,025
TOTAL	**(1,228)**	**1,501**

8 Operating expenses

	Note	2019 £'000	2018 £'000
Staff costs	9	247,080	298,147
Administrative expenses		43,512	57,235
Less: recharges to other group companies		(27,458)	(51,228)
TOTAL		**263,134**	**304,154**

The auditor's remuneration was as follows:

	2019 £'000	2018 £'000
Audit fees relating to the Company	137	142
Audit fees relating to subsidiary undertakings and other affiliates	84	60
TOTAL	**221**	**202**

Remuneration payable to the auditor and its associates for non-audit work was as follows:

	2019 £'000	2018 £'000
Audit-related assurance services	46	49
Other services	27	-
TOTAL	**73**	**49**

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9 Staff costs

	Note	2019 £'000	2018 £'000
Fixed and variable remuneration		196,138	229,360
Social security costs		27,922	34,477
Staff benefits and other staff costs		13,485	17,635
Pension costs			
- defined benefit plans	23	3,444	10,349
- defined contribution plans	23	5,090	5,158
Post-retirement benefits		1,001	1,168
TOTAL STAFF COSTS		**247,080**	**298,147**

The number of persons employed as at the period end was as follows:

	2019	2018
Global Advisory	474	440
Banking and Merchant Banking	-	59
Support and other	254	249
TOTAL	**728**	**748**

The average number of persons employed was as follows:

	2019	2018
Global Advisory	446	424
Banking and Merchant Banking	-	56
Support and other	249	245
TOTAL	**695**	**725**

All of R&Co Group's UK Merchant banking activity and employees were transferred to Five Arrows Managers LLP, a fellow R&Co Group company at the beginning of the year.

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Deferred remuneration and share-based payments

As part of its variable pay strategy, the Company operates various incentive schemes for the benefit of employees. These schemes consist of deferred cash bonuses and, for certain key staff, various deferred share-based payment awards.

The cash awards are paid one, two and three years after the year of the award, and the expense is recognised over the two, three and four year periods from the start of the year of the award to the date of payment. These awards are paid on the condition that the recipient is still an employee of the R&Co Group.

A commitment to employees exists in connection with deferred remuneration. Some of this has not yet accrued because it relates to a future service period. The amount of potential future payments that have not yet accrued is £41,139,000 (2018: £43,815,000).

The objective of the deferred share-based payment awards is to link the reward of certain key staff with the performance of the Company. In addition to the requirement to remain employed by the R&Co Group, these awards may also be cancelled under specific circumstances.

The terms of the different share-based payment awards are as follows:

Rothschild & Co equity scheme

Rothschild & Co has granted options in Rothschild & Co shares to a number of key staff. Under the equity scheme rules, the equity scheme participants have been required to invest in Rothschild & Co shares and, for each share owned, Rothschild & Co has granted four share options. Shares invested in are subject to a four year lock-up period and the share options granted are subject to a vesting period before exercise. A quarter of the share options vest on each of the third, fourth, fifth and sixth anniversaries of the equity scheme and the share options are exercisable on the vesting dates, but not later than the tenth anniversary of the award, at various prices according to when the options were issued.

Movements in the number of share options outstanding are as follows:

	2019		2018	
	Number	Weighted average exercise price €	Number	Weighted average exercise price €
At beginning of period	**1,400,000**	**21.99**	**1,692,500**	**21.72**
Issued	410,000	27,66	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Cancelled	-	-	-	-
Exercised	(10,000)	20.00	(292,500)	20.45
AT END OF PERIOD	**1,800,000**	**23.29**	**1,400,000**	**21.99**
Exercisable at the end of the period	1,050,000	20.37	705,000	18.22

Share-options outstanding at the period end were as follows:

Exercise price range €	2019 Number of options outstanding	2019 Weighted average contractual life (years)	2018 Number of options outstanding	2018 Weighted average contractual life (years)
17.50	197,500	3.75	197,500	4.75
18.00	227,500	3.75	227,500	4.75
19.00	260,000	3.75	260,000	4.75
20.00	315,000	3.75	325,000	4.75
23.62	20,000	5.95	20,000	6.95
24.12	30,000	5.95	30,000	6.95
25.12	30,000	5.95	30,000	6.95
26.12	30,000	5.95	30,000	6.95
31.56	70,000	8.00	70,000	9.00
32.06	70,000	8.00	70,000	9.00
33.06	70,000	8.00	70,000	9.00
34.06	70,000	8.00	70,000	9.00
26.10	77,500	3.75	-	-
27.10	77,500	3.75	-	-
29.10	77,500	3.75	-	-
31.10	77,500	3.75	-	-
26.10	25,000	9.75	-	-
26.60	25,000	9.75	-	-
27.60	25,000	9.75	-	-
28.60	25,000	9.75	-	-
TOTAL	**1,800,000**	**5.30**	**1,400,000**	**5.20**

The options were valued by an independent valuer using a Black-Scholes option valuation model. The key inputs into this model were the price of the underlying Rothschild & Co shares, the expected volatility of the share price (for which the historic volatility has been the primary consideration), and the estimated exercise date of the options (which is the mid-point between the dates of vesting and expiry). The valuation was based on the assumption that all recipients will remain with the Group.

The fair value of the share-based payments made in the period was £0.1m (2018: £0.3m). This amount is charged to the income statement over the period of employee service required under the vesting conditions. As the options are equity-settled, there is no liability booked in the balance sheet in respect of these options, and there is no periodic charge or credit in the income statement as the options change in value.

Notes to the financial statements
(forming part of the financial statements)

Rothschild & Co share-based payments

The Company has committed to pay a number of staff deferred awards in the form of Rothschild & Co shares. The shares will be delivered to employees as long as the recipients are still employed by the Rothschild & Co Group at the time of vesting. The value of the shares at the date of award is expensed over the service period, until vesting. The liability is treated as either a cash or equity-settled share-based payment and revalued at each reporting period, with the changes in value recognised in the income statement.

The charge for the period arising from share-based payment schemes was as follows:

	2019 £'000	2018 £'000
Rothschild & Co equity scheme	215	380
Rothschild & Co share-based payments	712	1,627
TOTAL	**927**	**2,007**

10 Tax

Tax charged to the income statement:

	2019 £'000	2018 £'000
Current tax:		
- Current year	10,042	9,995
- Prior year adjustments	237	(376)
Total current tax	**10,279**	**9,619**
Deferred tax:		
- Origination and reversal of timing differences	8,918	10,648
- Prior year adjustments	18	207
- Recognition of previously derecognised deferred tax	(3,250)	(3,250)
Total deferred tax	**5,686**	**7,605**
TOTAL TAX CHARGED TO INCOME STATEMENT	**15,965**	**17,224**

Tax on items charged/(credited) to other comprehensive income:

	2019 £'000	2018 £'000
Deferred tax on securities measured at fair value through OCI	(12)	(5)
Current tax on securities measured at fair value through OCI	12	5
Deferred tax on actuarial gains and losses on defined benefit pension schemes	(3,992)	2,767
TOTAL TAX CHARGED TO OTHER COMPREHENSIVE INCOME	**(3,992)**	**2,767**

Tax on items credited to equity:

	2019 £'000	2018 £'000
Current tax on distributions to holders of perpetual instruments	(1,154)	(877)
Current tax on exercise of share options	-	(783)
Current tax on IFRS 9 transition	(5)	-
Deferred tax on IFRS 9 transition	5	-
Current tax on right of use assets	(259)	-
Deferred tax on right of use assets	259	-
Deferred tax on IFRS 16 transition	(5,035)	-
Deferred tax on valuation of share options	919	(1,658)
	(5,270)	**(3,318)**

As a result of changes in UK corporation tax rules, the deductibility of interest for UK groups is now restricted. For the purposes of these financial statements, it has been assumed that not all of the interest borne by the Company is tax deductible.

The tax charged on income differs from the theoretical amount that would arise using the standard tax rate as follows:

	2019 £'000	2018 £'000
Profit before tax	123,465	101,322
Tax calculated at the UK corporation tax rate of 19%	23,458	19,251
Adjustment to tax charge in respect of prior years	255	(169)
Impact on deferred tax of corporation tax rate change	-	(521)
Non tax deductible expenses	643	1,015
Group dividends not subject to tax	(3,379)	(888)
Other income not subject to tax	(1,540)	-
Irrecoverable dividend withholding tax	688	639
Non tax deductible impairment provisions	-	223
Recognition of previously derecognised deferred tax	(3,250)	(3,250)
Other	(910)	924
TOTAL TAX CHARGED TO INCOME STATEMENT	**15,965**	**17,224**

Further information about deferred tax is presented in note 22.

11 Loans and advances

	2019 £'000	2018 £'000
Loans and advances - banks:		
Included in cash and cash equivalents - group	86,122	80,361
Included in cash and cash equivalents – other	19,820	42,010
Other – group lending	40,128	170,484
Other – third party lending	10,000	-
TOTAL	**156,070**	**292,855**

	2019 £'000	2018 £'000
Loans and advances - other:		
Loans and advances to group companies	239,365	84,483
Loans and advances - other	31,707	42,832
Allowance for credit losses - other	(14,955)	(21,420)
TOTAL	**256,117**	**105,895**

All loans and advances are measured at amortised cost less allowances for credit losses.

Loans and advances to and amounts due to certain group companies are subject to legally binding netting agreements and are thus reported net. The amount netted at 31 December 2019 was £31,083,000 (2018: £84,677,000).

The movement in the allowance for credit losses on loans and advances to customers is as follows:

	Specific £'000	Collective £'000	Stage 1 12 month ECL £'000	Stage 2 Lifetime ECL £'000	Stage 3 Lifetime ECL (impaired assets) £'000	Total £'000
At 1 January 2019	**-**	**-**	**16**	**4,750**	**16,654**	**21,420**
Charge/(credit) to income statement	-	-	-	534	(2,264)	(1,730)
Amounts written off	-	-	-	-	(9,330)	(9,330)
Recoveries	-	-	-	217	4,393	4,610
Exchange movements	-	-	-	(15)	-	(15)
AT 31 DECEMBER 2019	**-**	**-**	**16**	**5,486**	**9,453**	**14,955**
At 31 December 2017	**23,477**	**6,046**	**-**	**-**	**-**	**29,523**
Transition to IFRS 9	(23,477)	(6,046)	16	6,046	23,477	16
At 1 January 2018	**-**	**-**	**16**	**6,046**	**23,477**	**29,539**
Charge/(credit) to income statement	-	-	-	(1,285)	1,148	(137)
Amounts written off	-	-	-	-	(9,197)	(9,197)
Recoveries	-	-	-	-	1,224	1,224
Exchange movements	-	-	-	(11)	2	(9)
AT 31 DECEMBER 2018	**-**	**-**	**16**	**4,750**	**16,654**	**21,420**

Notes to the financial statements (forming part of the financial statements)

12 Investment securities

	2019 £'000	2018 £'000
Debt securities – amortised cost	70,057	160,858
Debt securities - fair value through profit and loss	1,604	1,686
Accrued interest	81	180
TOTAL DEBT SECURITIES	**71,742**	**162,724**
Equity securities - fair value through profit and loss (excluding money market funds)	6,450	5,727
Equity securities – fair value through OCI	108,582	114,667
	115,032	**120,394**
Equity securities – fair value through profit and loss (money market funds)	94,524	74,553
TOTAL EQUITY SECURITIES	**209,556**	**194,947**
TOTAL INVESTMENT SECURITIES	**281,298**	**357,671**

Debt and equity securities may be analysed as follows:

	2019 £'000	2018 £'000
Debt securities		
- Listed	71,742	162,724
Total debt securities	**71,742**	**162,724**
Equity securities		
- Listed	29,468	34,830
- Unlisted	180,088	160,117
Total equity securities	**209,556**	**194,947**
TOTAL DEBT AND EQUITY SECURITIES	**281,298**	**357,671**

Equity securities include shares in Rothschild & Co SCA and Third New Court Limited.

The movement in debt and equity securities is as follows:

	2019 £'000	2018 £'000
At beginning of year	**357,671**	**341,555**
Transition to IFRS 9	-	(20)
	357,671	**341,535**
Additions	419,544	525,837
Disposals (sale and redemption)	(487,573)	(518,973)
(Losses) / Gains from changes in fair value	(8,244)	9,112
Movement in accrued interest	(100)	160
AT END OF YEAR	**281,298**	**357,671**

13 Derivatives

The Company's use of financial instruments, including derivatives, is set out in note 2. A derivative is a financial instrument, the value of which is derived from the value of another financial instrument, an index or some other variable ("the underlying"). Typically, the underlying is an interest rate, a currency exchange rate or the price of a debt or equity security. Derivative instruments are carried at fair value, shown in the balance sheet as separate totals of positive fair values (assets) and negative fair values (liabilities). Positive fair values represent the cost to the Company of replacing all transactions with a fair value in the Company's favour if the counterparties default. Negative fair values represent the cost to the Company's counterparties of replacing all their transactions with the Company with a fair value in the counterparties' favour if the Company were to default. Positive and negative fair values on different transactions are only netted if there is a legal right of set-off, the transactions are with the same counterparty and the cashflows will be settled on a net basis. Changes in fair values of derivative instruments are recognised in other income.

During the year, the Company has only entered into forward foreign exchange contracts.

	Notional principal		Positive fair value		Negative fair value	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Forward foreign exchange contracts	312,516	185,422	6,301	475	(811)	(1,760)
TOTAL	**312,516**	**185,422**	**6,301**	**475**	**(811)**	**(1,760)**

14 Other assets

	2019 £'000	2018 £'000
Accounts receivable and prepayments	44,643	41,165
Accrued income	26,460	28,823
Intra-group receivables	47,467	45,636
Stock	10	4
Other	1,899	1,222
TOTAL	**120,479**	**116,850**

Accounts receivable are net of allowances of £5,095,000 (2018: £1,506,000).

15 Investments in subsidiary undertakings

	2019 £'000	2018 £'000
Net book value at beginning of year	**10,531**	**11,411**
Additions	-	295
Impairment provisions	-	(1,175)
NET BOOK VALUE AT END OF YEAR	**10,531**	**10,531**

The subsidiary companies are held at cost of £45,766,000 less impairment provisions of £35,235,000, largely as a result of capital reductions within subsidiaries.

The subsidiary undertakings of the Company as at 31 December 2019 are detailed in note 33.

Notes to the financial statements
(forming part of the financial statements)

16 Investments in associates and joint ventures

	2019 £'000	2018 £'000
Cost at beginning of year	30,280	30,280
Disposals	(27,280)	-
COST AT END OF YEAR	**3,000**	**30,280**

During the year, the Company disposed of its investment in Rothschild Martin Maurel SCS to a fellow group company for a consideration of £35,387,000, based on valuations from an independent third party, giving rise to a gain on disposal of £8,107,000.

The Company's remaining interest in associates and joint ventures is as follows:

	Country of residence	Ownership interest	Description of business
Rothschild & Co Europe Partnership	England and Wales, with registered office at New Court, St. Swithin's Lane, London EC4N 8AL.	50%	Financial advisory

17 Property, plant and equipment

	Leasehold improvements £'000	Cars, fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost at 1 January 2019	**48,602**	**3,109**	**8,716**	**60,427**
Additions	-	69	1,802	1,871
Disposals	-	(141)	-	(141)
At 31 December 2019	**48,602**	**3,037**	**10,518**	**62,157**
Accumulated depreciation at 1 January 2019	**23,532**	**2,178**	**8,033**	**33,743**
Depreciation charge	2,891	340	558	3,789
Disposals	-	(141)	-	(141)
At 31 December 2019	**26,423**	**2,377**	**8,591**	**37,391**
NET BOOK VALUE AT 31 DECEMBER 2019	**22,179**	**660**	**1,927**	**24,766**
Cost at 1 January 2018	**48,602**	**3,094**	**8,716**	**60,412**
Additions	-	69	-	69
Disposals	-	(54)	-	(54)
At 31 December 2018	**48,602**	**3,109**	**8,716**	**60,427**
Accumulated depreciation at 1 January 2018	**20,641**	**1,910**	**7,793**	**30,344**
Depreciation charge	2,891	322	240	3,453
Disposals	-	(54)	-	(54)
At 31 December 2018	**23,532**	**2,178**	**8,033**	**33,743**
NET BOOK VALUE AT 31 DECEMBER 2018	**25,070**	**931**	**683**	**26,684**

Notes to the financial statements (forming part of the financial statements)

18 Right of use assets

	Note	2019 £'000	2018 £'000
Balance at beginning of year	34	**151,796**	-
Depreciation charge		(9,466)	-
Additions		1,536	-
Revaluations		3,144	-
RIGHT OF USE ASSETS AT END OF YEAR		**147,010**	-

19 Lease liabilities

	Note	2019 £'000	2018 £'000
Balance at beginning of year	34	**178,450**	-
Additions		1,769	-
Disposals		(48)	-
Revaluations		3,192	
Rental payments		(12,545)	-
Interest expense		7,337	-
LEASE LIABILITIES AT END OF YEAR		178,155	-

20 Goodwill

	2019 £'000	2018 £'000
At beginning of year	-	-
Additions	4,093	-
At end of year	**4,093**	-

During the year, the business previously undertaken by Scott Harris UK Limited, a subsidiary undertaking, was acquired by the Company for consideration reflecting the original cost of the business, including goodwill of £4,093,000, plus net assets.

21 Other liabilities

	2019 £'000	2018 £'000
Accounts payable	1,759	1,348
Intra-group payables	30,891	22,443
Other liabilities	6,577	9,049
TOTAL	**39,227**	**32,840**

Notes to the financial statements (forming part of the financial statements)

22 Deferred income taxes

Deferred taxes are calculated on all temporary differences under the liability method using tax rates that have been substantively enacted at the balance sheet date and that are expected to apply when the temporary difference is realised. The current UK corporation tax rate is 19 per cent although reductions in the rate to 17 per cent from April 2020 had been substantively enacted at the balance sheet date and are reflected in the carrying value of deferred tax.

The movement on the deferred tax account is as follows:

	2019 £'000	2018 £'000
At beginning of year	**20,030**	**28,684**
Transition to IFRS 9	-	55
Transition to IFRS 16	5,035	-
	25,065	**28,739**
Recognised in income		
Income statement charge	(5,686)	(7,605)
Recognised in equity		
Defined benefit pension arrangements	3,992	(2,767)
Debt and equity securities		
- fair value measurement	12	5
Valuation of share options	(919)	1,658
Acquisition of business	1	-
IFRS 9 & 16 transition	(264)	-
AT END OF YEAR	**22,201**	**20,030**

Deferred tax assets less liabilities are attributable to the following items:

	2019 £'000	2018 £'000
Accelerated tax depreciation	1,543	2,161
Deferred profit share arrangements	15,905	16,575
Pension and other post-retirement benefits	21	(973)
Debt and equity securities	(177)	(189)
Tax losses	96	2,414
Right of use asset	4,776	-
Other temporary differences	37	42
TOTAL	**22,201**	**20,030**

The deferred tax charge in the income statement comprises the following temporary differences:

	2019 £'000	2018 £'000
Accelerated tax depreciation	(619)	(147)
Deferred profit share arrangements	249	(468)
Pensions and other post-retirement benefits	(2,998)	(2,103)
Tax losses	(2,318)	(4,878)
Other temporary differences	-	(9)
TOTAL	**(5,686)**	**(7,605)**

Following the introduction of loss relief restrictions in 2015, the Company was uncertain that it would be able to utilise all of its tax losses within the foreseeable future and, accordingly made a provision of £6.5m against the deferred tax asset. Subsequent earnings were better than projected and the UK losses have now been fully utilised. £3,250,000 of the provision was released in 2018 and the remaining £3,250,000 in 2019.

23 Defined benefit pension plans and other post-retirement benefits

The Company operates a pension scheme, the NMR Pension Fund ("the UK Fund"), for the benefit of employees of the Company as well as certain other R&Co Group companies in the United Kingdom. The Fund comprises a defined benefit section, which closed to new entrants in April 2003, and a defined contribution section established with effect from April 2003.

The R&Co Group also operates a separate pension arrangement, The NMR Overseas Pension Fund ("the Overseas Fund" – which together with the UK Fund is referred to below as "the Funds") that shares risks between entities within the group. The Overseas Fund comprises a defined benefit section and defined contribution section, both of which were closed to accrual in April 2017. The R&Co Group policy for allocating to individual entities in the Overseas Fund is based on the share of liabilities relating to employees/former employees of each participating group company. After the sale of Rothschild & Co Guernsey Trust Limited and a subsequent revision to this policy, the Company recognises the share (amounting to broadly 39% of the total liabilities) relating to former R&Co Group companies. The Company recognised a gain of £4,253,000 on initial recognition of its allocation of the Overseas Fund, which is included in other comprehensive income.

The Company also has £1,309,000 (2018: £1,467,000) of unfunded obligations in respect of pensions and other post-retirement benefits.

Amounts recognised in respect of the various post-retirement schemes at the balance sheet date were as follows (N.B. For the Overseas Fund, all amounts shown relate to the share of obligations and assets allocated to the Company):

	UK Fund £'000	**Overseas Fund £'000**	**Unfunded obligations £'000**	**Total £'000**
At 31 December 2019				
Present value of obligations	(907,712)	(31,844)	(1,309)	(940,865)
Fair value of plan assets	904,844	36,248	-	941,092
Net defined benefit asset/(liability)	**(2,868)**	**4,404**	**(1,309)**	**227**

	UK Fund £'000	**Overseas Fund £'000**	**Unfunded obligations £'000**	**Total £'000**
At 31 December 2018				
Present value of obligations	(824,315)	-	(1,467)	(825,782)
Fair value of plan assets	833,270	-	-	833,270
Net defined benefit asset/(liability)	**8,955**	**-**	**(1,467)**	**7,488**

For the Funds, benefits are based on actual service and final pensionable salary. The weighted average duration of the expected benefit payments from the UK Fund is 18.9 years and 19.1 years for the Overseas Fund. The Funds are approved by HMRC for tax purposes (the UK Fund is a Registered Scheme and the Overseas Fund is a Section 615 Scheme) and are operated separately from the Company and managed by independent trustees. The trustees are responsible for payment of the benefits and management of the Funds' assets. The Funds are subject to UK funding regulations, which require the Company and trustees to agree a funding strategy and contribution schedule for the Funds.

As with most defined benefit schemes, the Funds expose the Company to a number of risks including longevity, inflation, interest rate and investment performance. These risks are mitigated by an investment strategy which aims to minimise the long-term costs. This is achieved by investing in a diversified selection of asset classes, which aims to reduce the volatility of returns and also achieves a level of matching with the underlying liabilities. Overall, the objective for the Funds is to select assets which will generate income and capital growth to meet, together with new contributions (as necessary), the cost of current and, in the case of the UK Fund, future benefits payable by the Funds.

The matching assets that the Funds invest in include corporate bonds, government securities and a specific liability driven investment ("LDI") mandate. Overall the matching portfolio for the UK Fund provides roughly a 31% hedge of the UK Fund's interest rate exposure and 50% of the UK Fund's inflation exposure. The LDI manager invests in a combination of bonds and swaps, depending on the relative attractiveness of each instrument.

The Overseas Fund has a higher level of matching, around 70% for inflation and interest rate, recognising the funding position of this scheme and the fact it is closed to accrual.

The latest formal actuarial valuations of the Funds were carried out as at 31 March 2019 and have been updated for IAS 19 (Revised) purposes to 31 December 2019 by qualified independent actuaries. As required by IAS 19 (Revised), the values of the defined benefit obligation and current service cost have been measured using the projected unit credit method. The net charge to the income statement comprises current and past service costs, the net interest charge on the net defined benefit liability and administration expenses relating to the management of the pension funds. Remeasurement gains and losses are recognised in full, in the period in which they occur, outside the income statement and presented in other comprehensive income.

The principal actuarial assumptions used in respect of all post-retirement schemes as at the balance sheet date were as follows:

	2019	2018	2017
Discount rate	2.20%	2.90%	2.60%
Retail price inflation	2.90%	3.20%	3.20%
Consumer price inflation	2.00%	2.10%	2.10%
Expected rate of uncapped salary increases	2.00%	2.00%	2.00%
Expected rate of increase in pensions in payments:			
Capped at 5.0% per annum	2.80%	3.10%	3.10%
Capped at 2.5% per annum	2.00%	2.10%	2.10%
Life expectancy of a pensioner aged 60:			
Male	29.0	28.7	28.8
Female	30.3	29.7	29.9
Life expectancy of a future pensioner aged 60 in 20 years' time:			
Male	30.3	30.2	30.3
Female	31.7	31.3	31.4

The defined benefit plan net liability calculation is sensitive to the actuarial assumptions used above. Those that have the most significant impact on the measurement of the liability are as follows, along with an illustration of the sensitivity of the net liability of the UK Fund to those assumptions:

	2019 £'000	2018 £'000
0.5% increase in discount rate	(79,400)	(70,200)
0.5% increase in price inflation	63,400	54,200
1 year increase in life expectancy	36,900	27,800

The sensitivities shown above reflect only the change in the assessed defined obligation for the UK Fund. In practice, any movement leading to a change in the discount rate or price inflation is likely to be partially offset by a change in asset values, and the corresponding overall impact on the net liability is therefore likely to be lower than the amounts above.

Notes to the financial statements
(forming part of the financial statements)

The movement in the net defined benefit obligation is as follows:

	Plan assets	Defined benefit obligations	Net defined benefit liability
	£'000	£'000	£'000
At 1 January 2019	**833,270**	**(825,782)**	**7,488**
Current service cost (net of contributions paid by other plan participants)	-	(2,496)	**(2,496)**
Current service cost relating to other plan participants	-	(1,001)	**(1,001)**
Transfer from other entities	32,374	(28,121)	**4,253**
Interest income/(cost)	25,002	(24,361)	**641**
Re-measurements due to:			
- actual return less interest on plan assets	60,112	-	**60,112**
- changes in financial assumptions	-	(95,339)	**(95,339)**
- changes in demographic assumptions	-	500	**500**
- experience gains/(losses)	-	6,989	**6,989**
Benefits paid	(28,746)	28,746	**-**
Contributions by the Group	19,668	-	**19,668**
Contributions by other plan participants	1,001	-	**1,001**
Administration expenses	(1,589)	-	**(1,589)**
AT 31 DECEMBER 2019	**941,092**	**(940,865)**	**227**

	Plan assets	Defined benefit obligations	Net defined benefit liability
	£'000	£'000	£'000
At 1 January 2018	**857,048**	**(876,004)**	**(18,956)**
Current service cost (net of contributions paid by other plan participants)	-	(3,626)	**(3,626)**
Current service cost relating to other plan participants	-	(441)	**(441)**
Past service costs	-	(5,000)	**(5,000)**
Interest income/(cost)	22,168	(22,357)	**(189)**
Re-measurements due to:			
- actual return less interest on plan assets	(36,123)	-	**(36,123)**
- changes in financial assumptions	-	49,278	**49,278**
- changes in demographic assumptions	-	4,854	**4,854**
- experience gains/(losses)	-	(1,730)	**(1,730)**
Benefits paid	(29,244)	29,244	**-**
Contributions by the Company	20,514	-	**20,514**
Contributions by other plan participants	441	-	**441**
Administration expenses	(1,534)	-	**(1,534)**
AT 31 DECEMBER 2018	**833,270**	**(825,782)**	**7,488**

At 31 December, the fair value of plan assets comprised:

	UK Fund 2019 £'000	Overseas Fund 2019 £'000	Total 2019 £'000	Total 2018 £'000
Quoted				
Equities	204,757	6,390	211,147	216,806
Structured Credit	56,787	2,581	59,368	56,554
Property / Infrastructure	27,710	1,633	29,343	23,794
Reinsurance	33,283	1,618	34,901	33,720
Emerging Market debt	62,620	3,294	65,914	27,499
Illiquid credit	25,146	-	25,146	8,777
Traditional credit	99,440	7,357	106,797	89,817
Gilts & LDI	228,886	12,286	241,172	205,689
Money market / cash	68,464	976	69,440	79,597
Unquoted				
Private equity and hedge funds	73,269	44	73,313	68,921
Property / Infrastructure	24,482	69	24,551	22,096
TOTAL	**904,844**	**36,248**	**941,092**	**833,270**

Equities includes £nil (2018: £688,000) of shares in companies that are related parties of the Company.

Amounts recognised in the income statement are as follows:

	Note	2019 £'000	2018 £'000
Employers' part of current service cost		2,496	3,626
Past service costs		-	5,000
Net interest cost		(641)	189
Administration expenses		1,589	1,534
TOTAL (INCLUDED IN STAFF COSTS)	**9**	**3,444**	**10,349**

Amounts recognised in the statement of comprehensive income:

	2019 £'000	2018 £'000
Actuarial (losses)/gains recognised in the period	(23,485)	16,279
Cumulative actuarial losses recognised in the statement of comprehensive income	(188,782)	(165,297)

Following the March 2019 triennial actuarial valuation of the UK Fund, the Company agreed a contribution plan with the trustees to reduce the resulting deficit in accordance with pensions regulation. The aim is to eliminate the funding deficit by March 2023 with annual contributions of £15.0m although, from March 2021, the contributions will be reviewed and are dependent on the funding position of the UK Fund. In addition, participating employers in the UK Fund have agreed to pay 55.2% of in-service members' pensionable salaries in respect of future accruals.

Notes to the financial statements
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The Overseas Fund is in surplus on the agreed funding assumptions. Following its March 2019 triennial actuarial valuation, the Company agreed with the trustees that no contributions need to be made other than to cover the non-investment manager expenses of the Overseas Fund.

It is estimated that total contributions of £21.6 million will be paid to the defined benefit pension schemes in the year ending 31 December 2020, of which it is estimated that the Company will pay £20.2 million.

The Company has assessed that no further liability arises under IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This conclusion was reached because the trustees of the Funds do not have a unilateral power to wind up the Funds and the Funds' rules allow the Company an unconditional right to a refund assuming the gradual settlement of plan liabilities over time until all members have left the Funds.

Defined contribution schemes

	Note	2019 £'000	2018 £'000
Contributions paid	9	5,090	5,158

These amounts represent contributions to the defined contribution section of the UK Fund and other defined contribution pension arrangements.

24 Contingent liabilities and commitments

	2019 £'000	2018 £'000
Guarantees		
Guarantees and irrevocable letters of credit	129,046	143,469
Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend	18,130	9,766

From time to time the Company is involved in judicial proceedings or receives claims arising from the conduct of its business. Based upon available information and, where appropriate, legal advice, provisions are made where it is probable that an outflow of resources will be required, and the amount can be reasonably estimated. The Directors believe that the level of provisions made in these financial statements continues to be sufficient for any potential or actual proceedings or claims, based on information available at the reporting date.

25 Operating lease receivables

Minimum commitments receivable for non-cancellable leases of premises and equipment are as follows:

	2019 £'000	2018 £'000
Up to 1 year	71	150
Between 1 and 5 years	212	599
TOTAL	**283**	**749**

26 Distributions

	2019 £'000	2018 £'000
Other equity Interests		
Perpetual Floating Rate Subordinated Loan (US$100 million)	2,350	2,105
Perpetual Fixed Rate Subordinated Loan (£75 million)	6,762	6,743
Perpetual Floating Rate Subordinated Loan (€150 million)	818	1,548
	9,930	**10,396**
Tax credit thereon	(1,153)	(877)
	8,777	**9,519**
Ordinary shares		
Dividends paid	85,000	70,000
TOTAL	**93,777**	**79,519**

The dividends per ordinary share were £1.47 (2018: £1.21).

27 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with an original maturity of less than three months or are readily convertible into cash.

	2019 £'000	2018 £'000
Cash	12	14
Loans and advances - banks	105,942	122,371
Equity securities – money market funds	94,524	74,553
Debt securities	24,983	131,057
TOTAL	**225,461**	**327,995**

Debt securities consist of UK Treasury bills with an original maturity of less than three months.

28 Transactions with related parties

Key management personnel are the directors of the Company and of parent companies.

	2019 £'000	2018 £'000
Key management personnel compensation:		
Short-term employee benefits	9,429	18,474
Post-retirement benefits	15	12
Other deferred benefits	3,487	6,425

Notes to the financial statements (forming part of the financial statements)

Amounts receivable from related parties of the Company are as follows:

	2019		2018	
	Loans and advances	Other assets	Loans and advances	Other assets
	£'000	£'000	£'000	£'000
Amounts due from parent companies	152,178	306	56,889	29
Amounts due from subsidiary undertakings	1,490	11,707	1,518	6,187
Amounts due from associates and joint ventures	-	44	-	434
Amounts due from other related parties	211,940	35,409	276,845	38,985

Amounts receivable include loans to related parties and amounts recoverable from related parties in respect of expenses incurred on their behalf and services provided. Loans are made in the ordinary course of business and on substantially the same terms as comparable transactions with third parties.

Amounts payable to related parties of the Company are as follows:

	2019			2018		
	Due to banks and customers	Perpetual instruments	Other liabilities	Due to banks and customers	Perpetual instruments	Other liabilities
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts due to parent companies	9	-	-	54,483	-	10
Amounts due to subsidiary undertakings						
- subordinated	-	51,725	-	-	51,725	-
- other	4,695	-	12,168	17,210	-	7,707
Amounts due to associates and joint ventures	-	-	7,386	-	-	6,127
Amounts due to other related parties						
- subordinated	-	72,610	-	-	72,610	-
- other	41,617	-	16,160	33,054	-	11,658

Amounts payable include intra group borrowings and bank account balances held in the ordinary course of business.

Guarantees made on behalf of and received from related parties of the Company are as follows:

	2019 £'000	2018 £'000
Guarantees made on behalf of subsidiary undertakings	128,046	142,253
Guarantees made on behalf of other related parties	1,000	1,000

Included in the above is a guarantee of £128,046,000 (2018: £134,076,000) of perpetual floating rate subordinated notes issued by Rothschild & Co Continuation Finance PLC. The issue proceeds have been placed on deposit with the Company on terms similar to those of the notes issued.

The Company has received guarantees from a fellow subsidiary of Rothschild & Co Concordia SAS in respect of certain customer loans.

Commitments provided to related parties of the Company are as follows:

	2019 £'000	2018 £'000
Undrawn credit commitments	18,005	9,600

The Company has entered into a lease agreement with a fellow subsidiary of Rothschild & Co Concordia SAS for the rental of office space. The lease agreement expires in 2040 and is on normal commercial terms.

Amounts recognised in the income statement of the Company in respect of related party transactions are as follows:

	Parent companies £'000	Subsidiary undertakings £'000	Associates and joint ventures £'000	Other related parties £'000	Total £'000
Year to 31 December 2019					
Interest income	2,094	-	-	4,155	6,249
Interest expense	(1,412)	-	-	(7,792)	(9,204)
Fees and commissions income	1,057	16,046	-	12,451	29,554
Fees and commissions expense	-	(20,882)	(9,264)	(21,513)	(51,659)
Dividend income	-	15,000	5,863	2,783	23,646
Depreciation on right of use asset	-	-	-	(8,355)	(8,355)
Recoverable expenses	6,986	2,183	2,055	18,711	29,935
Year to 31 December 2018					
Interest receivable	880	-	-	2,245	3,125
Interest payable	(1,562)	-	-	(204)	(1,766)
Fees and commissions receivable	1,000	17,644	-	17,613	36,257
Fees and commissions payable	-	(21,070)	(25,422)	(11,638)	(58,130)
Dividend income	762	875	1,035	3,036	5,708
Rent payable	-	-	-	(10,836)	(10,836)
Recoverable expenses	8,273	1,907	1,454	40,832	52,466

Fees and commissions receivable/payable relate to transactions where the Company has worked in collaboration with other group companies.

29 Remuneration of Directors

	2019 £'000	2018 £'000
Directors' emoluments	3,353	3,129
Amounts receivable under deferred bonus schemes	376	354
	3,729	**3,483**
Pension contributions to money purchase schemes	12	12
	3,741	**3,495**

The emoluments of the highest paid director were £1,000,000 (2018: £990,000).

	2019	2018
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	2	2
Defined benefit schemes	1	1

30 Share capital

	2019	2018
Authorised	199,900,000	199,900,000
Allotted, called up and fully paid ordinary shares of £1 each	57,654,551	57,654,551

31 Perpetual instruments

	2019 £'000	2018 £'000
Perpetual fixed rate subordinated notes 9% (£75 million)	48,750	48,750
Perpetual floating rate subordinated notes (€150 million)	51,725	51,725
Perpetual floating rate subordinated notes (US$100 million)	23,860	23,860
TOTAL	**124,335**	**124,335**

32 Parent undertaking and ultimate holding company

The largest group in which the results of the Company are consolidated is that headed by Rothschild & Co Concordia SAS, incorporated in France, and whose registered office is at 23bis, Avenue de Messine, 75008 Paris. The smallest group in which they are consolidated is that headed by Rothschild & Co SCA, a French public limited partnership whose registered office is also at 23bis, Avenue de Messine, 75008 Paris. The accounts are available on the Rothschild & Co website at www.rothschildandco.com.

The Company's immediate parent company is Rothschild & Co Holdings UK Limited, a private company limited by shares and incorporated in England and Wales whose registered office is at New Court, St Swithin's Lane, London, EC4N 8AL.

Notes to the financial statements
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33 Subsidiary undertakings

The subsidiary undertakings of the Company as at 31 December 2019 are detailed below. All subsidiary undertakings are registered in England and Wales except where otherwise indicated.

	Percentage ownership %
The following companies are incorporated in England and Wales and have their registered offices at New Court, St Swithin's Lane, London EC4N 8AL:	
Five Arrows Finance Limited	100
Five Arrows Leasing Holdings Limited	100
Lanebridge Holdings Limited	100
Lanebridge Investment Management Limited	100
Marplace (Number 480) Limited	100
O.C. Investments Limited	100
RJVTMCO UK Limited	99
Rothschild & Co Australia Holdings Limited	100
Rothschild & Co Gold Limited	100
Rothschild Limited	100
Rothschild & Co Reserve Limited	100
Rothschild & Co Continuation Finance PLC	100
Shield Trust Limited	100
Scott Harris UK Limited	100
Shield MBCA Limited	100
The following companies are incorporated overseas:	
Rothschild & Co Australia Limited *(incorporated in Australia with registered office at Level 34, 88 Phillip Street, Sydney, NSW 2000)*	100
Elsinore Part. e Serv. Ltda. *(incorporated in Brazil with registered office at Av. Brigadeiro Faria Lima 2055/18o. Andar, Jardim Paulistano - São Paulo, SP - 01451-000)*	100
Arena Plaza Jersey GP Limited (in liquidation) *(incorporated in Jersey, C.I. with registered office at Whiteley Chambers, Don Street, St. Helier JE4 9WG)*	100

Notes to the financial statements
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	Percentage ownership	
	%	%
Rothschild & Co Europe B.V. (incorporated in The Netherlands with registered office at Ankersmidplein 2, 1506 CK Zaandam), which owns the following subsidiaries:		50.01
Rothschild & Co Deutschland GmbH (incorporated in Germany with registered office at Börsenstrasse 2-4, 60313 Frankfurt)	100	
Rothschild & Co Italia S.p.A. (incorporated in Italy with registered office at Via Santa Radegonda 8, 20123 - Milan)	90.45	
Rothschild & Co S.R.L. (incorporated in Italy with registered office at Via Santa Radegonda 8, 20123 - Milan)	90.45	
RothschildCo España S.A. (incorporated in Spain with registered office at Paseo de la Castellana 35, 3 planta, 28046 Madrid)	98	
Rothschild & Co Portugal Lda (incorporated in Portugal with registered office at Calçada Marquês de Abrantes, 40 - 1 Esq., 1200 - 719 Lisboa)	99.89	
Rothschild and Co Kurumsal Finansman Hizetleri Limited Sirketi (incorporated in Turkey with registered office at Akmerkez Rezidans Apart Otel No. 14D2, Akmerkez IS Mekezi Yani, Nispetiye Caddesi, 34340 Etiler, Istanbul)	99	
Rothschild & Co Polska Sp. z o.o. (incorporated in Poland with registered office at Rzymowskiego 34, 02-697 Warsaw)	100	
Rothschild & Co CIS B.V. (incorporated in The Netherlands with registered office at Ankersmidplein 2, 1506 CK Zaandam)	100	
Rothschild & Co Middle East Limited (incorporated in Dubai with registered office at Office 203, Level 2, Burj Daman, DIFC, PO Box 506570, Dubai)	100	
Rothschild & Co Doha LLC (incorporated in Qatar with registered office at PO Box 31316, Al Fardan Office Tower, West Bay 8th - 9th Floor, Doha)	100	
Rothschild & Co Israel B.V. (incorporated in The Netherlands with registered office at Ankersmidplein 2, 1506 CK Zaandam)	100	
Rothschild & Co Nordic AB (incorporated in Sweden with registered office at Strandvägen 7 A, 114 56 Stockholm)	100	

34 Transition to IFRS 16 on 1 January 2019

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated; it is presented, as previously reported, under IAS 17 and related interpretations.

The following table shows the effect on the Company's balance sheet of the transition from IAS 17 to IFRS 16:

	1 January 2019 £'000
Right of use assets – third party leases*	6,738
Right of use assets – intra-group leases**	145,058
Prepayments	(2,766)
Deferred tax asset	5,035
Lease liabilities	(178,450)
Retained earnings	24,385
TOTAL	-

*This refers to all third-party leases, where the right of use asset has been calculated as an amount equal to lease liability

**This refers to all intra-group leases, where the right of use asset has been calculated as if IFRS 16 had been applied since commencement date, discounted using the appropriate borrowing rate at the date of initial application

Previously, the Company classified property leases as operating leases under IAS 17. On transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate. The weighted average applied was 4.19%. Right of use assets are measured at either:

- Their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application - the Company applied this approach to its largest property lease; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments - the Company applied this approach to all other leases.

The Company has tested its right of use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right of use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right of use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right of use asset at the date of initial application; and
- used hindsight when determining the lease term.