N. M. Rothschild & Sons Limited

Annual Report & Accounts for the
year to 31 December 2018

Registered number: 00925279

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Rothschild & Co

Contents

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, which focuses on M&A and strategic advisory and Financing Advisory encompassing debt, restructuring and equity advisory. Alongside our UK advisory business, NMR owns 50.01% of Rothschild & Co Europe BV and 100% of Rothschild & Co Australia Limited. The remaining 49.99% of Rothschild & Co Europe BV is owned by Rothschild Martin Maurel SCS.

Further information on the Rothschild & Co Group can be found on www.rothschildandco.com.

Strategic developments

NMR's strategy continues to concentrate on developing its advisory business whilst it reduces its legacy banking exposures. The Global Advisory business continues to perform very well and the Rothschild & Co Group has maintained its leading market position and is again ranked 1st globally and in Europe by number of completed transactions. NMR also provides support for the Rothschild & Co Group's other activities.

During the year, the FCA approved NMR's application for the varying of NMR's regulatory permissions and the Company is designated as an "exempt CAD" firm. This ensures that NMR has the appropriate regulatory permissions for the advisory business. Prior to this, the Rothschild & Co Group's UK Merchant Banking activity was transferred to Five Arrows Mangers LLP ("FAM LLP"), a fellow Rothschild & Co Group company.

Results overview

In 2017 NMR changed its financial year end from 31 March to 31 December. This set of financial statements is the first full year since this change and consequently, the comparative figures are for the nine months from 1 April 2017 to 31 December 2017. A summarised income statement is included within this strategic report and includes the results for the nine months to December 2017 on an illustrative, grossed-up, annualised basis to aid comparison with the twelve months to December 2018.

Profit before tax for the year to 31 December 2018 was £101.3m compared to £43.2m for the nine months to 31 December 2017 which on an annualised basis equates to an increase of 75.8%. Net operating income of £408.9m was 17.6% higher than the £260.9m for the nine months to 31 December 2017 annualised.

	12m to Dec 2018 £m	9m to Dec 2017 £m	*Dec 2017 Annual basis £m*	*Annual Variance %*
Net GA fee income	396.2	214.2	*285.6*	*38.7*
Net fee income - other	2.0	17.3	*23.1*	*(91.5)*
Net interest Income	4.0	3.1	*4.2*	*(4.0)*
Dividend income	6.3	14.3	*19.0*	*(66.8)*
Other income	1.5	11.9	*15.8*	*(90.5)*
Total operating income	**410.0**	**260.8**	***347.7***	***17.9***
Impairments	(1.1)	0.1	*0.1*	*(928.2)*
Net operating income	**408.9**	**260.9**	***347.8***	***17.6***
Operating expenses	(307.6)	(217.7)	*(290.2)*	*(6.0)*
Profit before tax	**101.3**	**43.2**	***57.6***	***75.8***
Tax	(17.2)	(6.5)	*(8.7)*	*(97.4)*
Profit after tax	**84.1**	**36.7**	***48.9***	***71.9***

Net fee income remained strong. On an annualised basis, net fees for the Global Advisory business were 38.7% higher at £396.2m. 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. Other fee income was down by £15.3m compared to the nine months to 31 December 2017, nearly all due to the transfer of the UK Merchant Banking activity to FAM LLP.

Other income was lower than in the nine months to December 2017 which benefited from gains on the sale of legacy banking available-for-sale debt securities. Dividend income was also down compared to the nine months to December 2017, partly due to timing of dividend declarations.

Operating expenses were £307.6m, 6.0% higher than the prior period (on an annualised basis) which reflects increased profit sharing as a result of the very good performance. Part of profit share 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 Rothschild & 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. There was also a £5.0m increase in the Company's pension charge relating to guaranteed minimum pensions ("GMP") following a recent court judgement that required pension funds to equalise pension benefits for men and women. Offsetting these cost increases, are the costs relating to the UK Merchant Banking activity which have been transferred to FAM LLP following the transfer (costs borne in the nine months to 31 December 2017 were £15.3m).

Key Performance Indicators	12m to Dec 2018	9m to Dec 2017
Profit before tax (£m)	101.3	43.2
Net fee income (£m)	398.1	231.5
Compensation ratio*	64.6%	69.6%
Net legacy banking book exposure (£m)	21.4	43.1

*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

Further progress has been made to reduce the legacy lending book which now stands at £21.4m net of provisions, £21.7m lower than at 31 December 2017. The Company's lending activities are now largely confined to supporting the wider Rothschild & Co Group through the use of surplus liquidity. At 31 December 2018 the balance sheet remained very liquid at £528.4m which includes loans with banks (including £250m with Rothschild & Co Group banks), UK Government debt securities and AAA rated money market funds.

Capital and dividends

Total equity increased by £29.5m to £623.8m after the payment of £70.0m of dividends (a final dividend of £5m for the nine months to 31 December 2017 and interim dividends of £65m for the period to 31 December 2018).

Governance and risk management

NMR is an integral part of the wider Rothschild & Co Group and, as such, the governance and risk management framework operates within the overall Rothschild & 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 6 and 7.

The Group Chief Risk Officer co-ordinates policy and promotes the development and maintenance of effective risk management procedures throughout the Rothschild & Co Group. Alongside this, the Group Internal Audit team reviews the internal control framework and reports its findings to the Rothschild & 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 as well as changes in the regulatory environment. Of particular concern is the impact of Brexit on the UK and European economic environment. Whilst we do not expect any structural or regulatory issues, the potential impact on revenues across our business remains a cause of concern. Furthermore, whilst we do not expect any balance sheet impairments, there could be impacts on the valuation of assets and liabilities.

In addition, the Company's principal risks are integrated with those of the Rothschild & Co Group and are not managed separately. The key risks arise in relation to pension fund, 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

The Rothschild & Co Group maintains its position as one of the leading global advisers. Although the value of globally announced M&A deals in the market increased during 2018, principally driven by an increase in large transactions, announced activity in the second half of 2018 slowed compared to the first half. Hence, whilst we believe the general environment continues to be supportive for M&A, we remain alert to signs of a significant turning point in the cycle. At the moment, our visible pipeline of business remains healthy.

By order of the Board

Peter Barbour
N.M. Rothschild & Sons Limited
Registered number: 00925279
New Court, St Swithin's Lane, London EC4N 8AL

5 March 2019

Report of Directors

The Directors present their Directors' report and financial statements for the year ended 31 December 2018. An overview of the business and its performance is included in the strategic report.

Branches

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

Dividends

During the year to December 2018, the Directors declared and paid dividends totalling £70,000,000 (9 months to December 2017: £55,000,000).

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:

- Peter Smith (Non-executive Chairman)
- Anthony Alt (Deputy Chairman)
- Nigel Higgins – resigned 12 October 2018
- Peter Barbour
- Christopher Coleman
- Andrew Didham (Non-executive)
- Jonathan Westcott

Since the year end, Robert Leitão was appointed as a Director and Chief Executive of the Company on 11 January 2019 and Nicholas Wrigley was appointed as a Director on 14 February 2019.

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

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.

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.

Employee information and employment policy

During the year the Company continued with its long-established policy of providing employees with information on matters of concern to them and on developments within the Rothschild & Co Group. The interest of all staff in the performance of the Group is realised through the Company's profit sharing scheme in which staff at all levels participate.

The recruitment, training, career development and promotion of disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each individual. Efforts are made to enable employees who become disabled during employment to continue their career with the

Company and, if necessary, appropriate training is provided.

Further information on the Rothschild & Co Group's environmental, corporate and social responsibility initiatives and employee matters can be found in the Rothschild & 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.

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 period. 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 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

Peter Barbour

N.M. Rothschild & Sons Limited

Registered number: 00925279

New Court, St Swithin's Lane, London EC4N 8AL

5 March 2019

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 Rothschild & 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), Alexandre de Rothschild, 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 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, 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 of the Company which have oversight responsibilities

NMR Balance Sheet & Treasury Committee This committee manages and monitors all matters relating to NMR and its subsidiaries' balance sheets and treasury matters	**Membership** Anthony Alt (Chairman), Peter Barbour, Christopher Coleman, Adam Greenbury, John King

Committees

R&Co Group Committees which have oversight responsibilities	
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, Sylvain Héfès
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 regulated persons, oversees the annual remuneration review and approves proposals for promotion	**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, reviews the material risks of the Group and the total exposures of the Group's activities to such risk, 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), Daniel Daeniker, Angelika Gifford, Arielle Malard de Rothschild

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

Opinion

We have audited the financial statements of NM Rothschild & Sons Limited (the "Company") for the period ended 31 December 2018 which comprise the income statement, statement of comprehensive income, balance sheet, 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 2018 and of its profit for the period 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 recoverability of the deferred tax asset, 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 at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, 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 5, 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 (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

5 March 2019

Income statement
for the year ended 31 December 2018

	Notes	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Fee and commission income	**4**	456,621	264,643
Fee and commission expense	**4**	(58,479)	(33,107)
Net fee and commission income		**398,142**	**231,536**
Interest and similar income	**5**	6,004	3,358
Interest expense and similar charges	**5**	(1,991)	(223)
Net interest income		**4,013**	**3,135**
Dividend income	**6**	6,311	14,255
Other operating income	**7**	1,501	11,878
Total operating income		**409,967**	**260,804**
Impairment gains/(losses) on financial instruments	**11,12**	137	94
Impairment of investment in subsidiary undertakings	**15**	(1,175)	-
Net operating income		**408,929**	**260,898**
Operating expenses	**8**	(304,154)	(215,084)
Depreciation	**17**	(3,453)	(2,586)
Profit before tax		**101,322**	**43,228**
Tax	**10**	(17,224)	(6,545)
PROFIT AFTER TAX		**84,098**	**36,683**
Attributable to:			
Ordinary shareholders		74,579	30,372
Holders of perpetual instruments		9,519	6,311
		84,098	**36,683**

The notes on pages 16 to 65 form an integral part of these financial statements

Statement of comprehensive income
for the year ended 31 December 2018

	Notes	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Profit after tax		**84,098**	**36,683**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit pension funds	**20**	16,279	1,064
Movement in fair value reserve: net change in fair value of equity investments at FVOCI		8,867	-
Income tax thereon	**10**	(2,767)	(181)
		22,379	**883**
Items that may be reclassified subsequently to profit or loss			
Change in fair value of assets classified as available-for-sale		-	62,814
Net change in fair value of available-for-sale financial assets transferred to profit or loss		-	(3,642)
Income tax thereon	**10**	-	443
		-	**59,615**
Other comprehensive income for the period, net of income tax		**22,379**	**60,498**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**106,477**	**97,181**

Attributable to:		
Ordinary shareholders	96,958	90,870
Holders of perpetual instruments	9,519	6,311
	106,477	**97,181**

The notes on pages 16 to 65 form an integral part of these financial statements

Balance sheet
as at 31 December 2018

	Notes	31 December 2018 £'000	31 December 2017 £'000
Assets			
Cash		14	9
Loans and advances to banks	11	292,855	165,358
Loans and advances - other	11	105,895	129,976
Investment securities	12	357,671	341,555
Derivatives	13	475	823
Other assets	14	116,850	118,956
Investments in subsidiary undertakings	15	10,531	11,411
Investments in associates and joint ventures	16	30,280	30,280
Property, plant and equipment	17	26,684	30,068
Defined benefit pension surplus	20	7,488	-
Current tax assets		-	352
Deferred tax assets	19	20,030	28,684
Total assets		**968,773**	**857,472**
Liabilities			
Due to banks		-	1,974
Due to group companies		104,782	62,903
Derivatives	13	1,760	893
Defined benefit pension liabilities	20	-	18,956
Other liabilities	18	32,840	35,978
Current tax liabilities		1,131	18
Accruals and deferred income		204,481	142,509
Total liabilities		**344,994**	**263,231**
Equity			
Share capital	27	57,655	57,655
Share premium account		97,936	97,936
Retained earnings		269,346	240,217
Fair value reserve		74,507	74,098
		499,444	**469,906**
Perpetual instruments	28	124,335	124,335
Total equity		**623,779**	**594,241**
TOTAL EQUITY AND LIABILITIES		**968,773**	**857,472**

The notes on pages 16 to 65 form an integral part of these financial statements

The accounts on pages 11 to 65 were approved by the Board of Directors on 5 March 2019 and were signed on its behalf by:

Peter Barbour, Director
5 March 2019

N M Rothschild & Sons Limited
Registered number: 00925279

Statement of changes in equity
for the year ended 31 December 2018

	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 – note 31)	-	-	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**

At 1 April 2017	**57,655**	**97,936**	**263,738**	**14,483**	**124,335**	**558,147**
Profit after tax	-	-	30,372	-	6,311	36,683
Other comprehensive income (net of tax):						
Actuarial pains on defined benefit pension funds	-	-	883	-	-	883
Available-for-sale securities	-	-	-	59,615	-	59,615
Total comprehensive income	**-**	**-**	**31,255**	**59,615**	**6,311**	**97,181**
Dividends paid	-	-	(55,000)	-	-	(55,000)
Equity-settled share-based payments	-	-	224	-	-	224
Interest on perpetual instruments	-	-	-	-	(7,322)	(7,322)
- tax thereon	-	-	-	-	1,011	1,011
AT 31 December 2017	**57,655**	**97,936**	**240,217**	**74,098**	**124,335**	**594,241**

The notes on pages 16 to 65 form an integral part of these financial statements

Cash flow statement
for the year ended 31 December 2018

	Notes	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Cash flow from operating activities			
Profit before tax		101,322	43,228
Adjustments to reconcile net profit to cash flow from operating activities			
Non-cash items included in net profit and other adjustments			
Depreciation	17	3,453	2,586
Dividends received from subsidiaries, associates and joint ventures	6	(4,633)	(11,707)
Impairment of financial assets (net of recovery)		1,038	(94)
Profit on disposal of loans and available-for-sale assets	7	-	(6,415)
Profit on disposal of fixed assets		(7)	(18)
Profit on disposal of subsidiary	15	-	(136)
Equity-settled share-based payments		371	224
		222	**(15,560)**
Net decrease/(increase) in operating assets and liabilities			
Derivatives		1,215	1,006
Debt and equity securities (excluding cash equivalents)	12	19,066	77,435
Loans and advances - other	11	24,202	(172)
Other assets	14	1,855	7,771
Net due to / from banks (excluding cash equivalents)		(172,458)	(30,639)
Due to group companies		41,879	30,370
Accrued expenses and other liabilities		48,669	(53,217)
Income taxes (paid)/received (net)		(6,499)	(4,064)
		(42,071)	**28,490**
Net cash flow from/(used in) operating activities		**59,473**	**56,158**
Cash flow from/(used in) investing activities			
Acquisition of subsidiaries, associates and joint ventures	15,16	(295)	-
Dividends received from subsidiaries, associates and joint ventures	6	4,633	11,707
Proceeds from disposal of subsidiaries	15	-	136
Purchase of fixed assets	17	(69)	(114)
Proceeds from disposal of fixed assets		7	20
Net cash flow from investing activities		**4,276**	**11,749**
Cash flow used in financing activities			
Dividends paid	23	(70,000)	(55,000)
Interest paid on perpetual instruments	23	(10,396)	(7,322)
Net cash flow used in financing activities		**(80,396)**	**(62,322)**
Net increase/(decrease) in cash and cash equivalents		**(16,647)**	**5,585**
Cash and cash equivalents at beginning of period		344,642	339,057
Cash and cash equivalents at end of period	24	**327,995**	**344,642**

Interest receipts and payments during the period were as follows:

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Interest received	4,483	3,497
Interest paid	1,991	237

The notes on pages 16 to 65 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 9 Financial Instruments

IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement was implemented with effect from 1 January 2018. The standard includes revised guidance in respect of the classification and measurement of financial assets and liabilities and introduces additional requirements for liabilities and hedge accounting as well as a new expected credit loss model for calculating impairment on financial assets.

The effects of the implementation of IFRS 9 on the Company's accounting policies are summarised below:

- Previously financial assets were classified as either fair value through profit or loss, loans and advances, held-to-maturity investments or available-for-sale. IFRS 9 eliminates the loans and advances and held-to-maturity categories and requires financial assets to be measured at amortised cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"). This classification should be based on the business model by which they are managed and their contractual cash flow characteristics. Accordingly, a number of investments that were previously designated as available-for-sale under IAS 39 have been reclassified as FVTPL under IFRS 9 to reflect the fact that they are not held for strategic reasons but as part of the day to day management of the business. Furthermore, certain highly liquid debt securities, held for liquidity purposes and previously designated as available-for-sale under IAS 39, have been reclassified as measured at amortised cost to reflect that, notwithstanding that they may be sold at any time, such securities are typically held to maturity.
- IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The new impairment model recognises credit losses earlier than under IAS 39, and applies to financial assets measured at amortised cost and debt investments designated as FVOCI, but not to investments in equity instruments.

The Company has not applied hedge accounting in the preparation of these financial statements and therefore the IFRS 9 hedging requirements do not apply. The adoption of IFRS 9 has been applied retrospectively by adjusting the opening balance sheet at the date of implementation. Comparative period figures have not been restated. A summary of the effect of the transition to IFRS 9 on the Company's balance sheet is provided in note 31.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers, which provides a principles-based framework for determining whether, how much and when revenue is recognised was implemented with effect from 1 January 2018.

In assessing the impact of adopting IFRS 15, the Company has reviewed all material GA fees in the previous period to see whether any would have been recognised differently under IFRS 15 than under IAS 18, the previous standard. The review showed any differences to be immaterial.

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

New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for accounting periods ending after 31 December 2018 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. Those that may have a significant effect on the financial statements of the Company are:

Accounting standards first effective for accounting periods beginning on or after 1 January 2019

IFRS 16 Leases, which introduces 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 a lease liability to represent the obligations to make lease payments. The Company has entered into significant leases for the rental of property for which it will recognise the liability in its financial statements along with the associated right-of-use asset. Previously, the Company recognised the rental expense associated with these leases on an accruals basis. From 1 January 2019, the Company will instead recognise a depreciation charge for the right-of-use asset and an interest expense on the lease liabilities.

Based on the information currently available, the Company expects to recognise lease liabilities of approximately £176m as at 1 January 2019 and a right of use asset of £156m. Brought forward retained earnings are expected to reduce by £19m (after recognising deferred tax). The actual impact may differ as judgements and estimates are refined.

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 available-for-sale investments, 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 has considerable financial resources and continues 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, a strong 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.

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

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 available-for-sale (to 1 January 2018) or FVOCI (from 1 January 2018) 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 - Policy applicable from 1 January 2018

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.

Financial assets - Policy applicable before 1 January 2018

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, IAS 39 requires that financial assets be classified into the following categories: at fair value through profit or loss, loans and advances, held-to-maturity investments, or available-for-sale.

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.

Financial assets at fair value through profit or loss

This category comprises financial assets designated as fair value through profit or loss, and derivatives. These financial assets are initially recognised at fair value, with transaction costs recorded immediately in the income statement, and are subsequently measured at fair value. Gains and losses arising from changes in fair value are recognised in the income statement.

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and advances are initially recorded at fair value, including any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Gains and losses arising on de-recognition of loans and receivables are recognised in other operating income.

Available-for-sale investments

Available-for-sale investments comprise non-derivative financial assets that are either designated as available-for-sale on initial recognition or are not classified into the categories described above. Available-for-sale investments are initially recognised at fair value, including direct and incremental transaction costs, and are subsequently measured at fair value.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income until the financial asset is sold, at which time the cumulative gain or loss is transferred to the income statement. Interest (determined using the effective interest rate method), impairment losses and translation differences on monetary items are recognised in the income statement as they arise. Translation differences on available-for-sale equities are included in the available-for-sale reserve in other comprehensive income. Dividends on available-for-sale equity instruments are recognised in the income statement when the Company's right to receive payment is established.

Financial liabilities

Financial liabilities are carried at amortised cost using the effective interest rate method, except for derivatives that are classified as at fair value through profit or loss on initial recognition.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at fair value, and the initial fair value is amortised over the life of the guarantee. The guarantee liability is subsequently carried at the higher of the amortised amount and the expected present value of any expected payment (when a payment under the guarantee has become probable).

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Rothschild & Co Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the guarantee contract is treated as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee, whereupon the expected amount payable will be recognised.

De-recognition

The Company derecognises a financial asset when:

i. the contractual rights to cashflows arising from the financial asset have expired; or
ii. it transfers the financial asset including substantially all of the risks and rewards of the ownership of the asset; or
iii. it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of the asset, but no longer retains control of the asset.

Determination of fair value

The fair value of quoted investments in active markets is based on current bid prices. For other financial assets and liabilities, the Company establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, discounted cashflow analysis and other valuation methods commonly used by market participants. For certain investments, 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. The fair value of short term debtors and creditors is materially the same as invoice value.

Impairment of financial assets - Policy applicable from 1 January 2018

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.

Impairment of financial assets - Policy applicable before 1 January 2018

Assets are assessed at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets is impaired.

Impairment losses are incurred if there is objective evidence of impairment as a result of one or more events occurring after initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cashflows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data about the following loss events:

i. significant financial difficulty of the issuer;
ii. a breach of contract, such as a default or delinquency in interest or principal repayment;
iii. granting to the borrower a concession, for economic or legal reasons relating to the borrower's financial difficulty, that the lender would not otherwise consider;
iv. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Impairment of loans and advances

The Company first assesses whether objective evidence of impairment exists individually for all loans and advances. Impairment losses are calculated on a collective basis in respect of losses that have been incurred but not yet identified on loans that are subject to individual assessment for impairment. If no objective evidence of impairment exists for an individually assessed financial asset, it is included in a collective assessment for impairment with other assets with similar risk characteristics.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of expected future cashflows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, the loss being recognised in the income statement.

The calculation of the present value of the estimated future cashflows of a financial asset reflects the cashflows that may result from scheduled interest payments, principal repayments, or other payments due, including liquidation of collateral where available. In estimating these cashflows, management makes judgements about a counterparty's financial situation and the fair value of any underlying collateral or guarantees in the Company's favour. Each impaired asset is assessed on its merits and the workout strategy and estimate of cashflows considered recoverable are reviewed by the Credit Committee on a quarterly basis. The methodology and assumptions used for estimating both the amount and the timing of future cashflows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Collectively assessed credit risk allowances cover credit losses inherent in portfolios of financial assets with similar economic characteristics where there is objective evidence to suggest that they contain impaired assets but the individual impaired items cannot yet be identified. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Future cashflows are estimated on the basis of historical loss experience. These estimates are subject to regular review and adjusted to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the original effective interest rate which was used to discount the future cashflows for the purpose of measuring the impairment loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an objective event occurring after the impairment was recognised (for example, being awarded a new contract that materially enhances future cashflows), the previously recognised impairment loss is reversed by adjusting the allowance for loan impairment. The amount of the reversal is recognised in the income statement.

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

When a loan is deemed uncollectable, it is written off against the related allowance for loan impairment. Recoveries received in respect of loans previously written off are recorded as a decrease in the impairment losses on loans and advances and are recorded in the income statement in the period in which the recovery was made. Loans subject to individual impairment assessment whose terms have been renegotiated and which would have been past due or impaired had they not been renegotiated, are reviewed to determine whether they are impaired or past due.

Impairment of available-for-sale assets

Available-for-sale assets are assessed at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets is impaired, which requires judgement by management.

For equity shares classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered evidence of impairment. If any such evidence exists, the cumulative loss is removed from other comprehensive income and recognised in the income statement. If, in a subsequent period, the fair value on an equity share classified as available-for-sale increases, the impairment loss is not reversed through the income statement, but remains recorded in other comprehensive income. However, any further decline in the fair value will be recognised as a further impairment charge.

Impairment of available-for-sale debt securities is based on the same criteria as for all other financial assets. If in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

The loss recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

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.

Finance and operating leases

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

The total payments made under operating leases are charged to the income statement as operating expenses.

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 20. The Company operates a number of 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 20. 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.

Employee benefits

The Company operates profit share 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 profit share 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-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.

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 on the basis of 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.

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.

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

Impairment of financial assets

Financial assets recognised at amortised cost and debt instruments that are measured at FVOCI (December 2017: includes available-for-sale debt and equity securities) are assessed at each balance sheet date to determine whether there is objective evidence that they are impaired. Management determines the size of the impairment allowance required using a range of factors such as the realisable value of any collateral, the likely recovery on liquidation or bankruptcy, the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations.

For the year ended 31 December 2018, the Company also recognises ECL allowances for all financial assets recognised at amortised cost and for debt instruments that are measured at FVOCI. ECLs are a probability-weighted estimate of credit losses over an assets lifetime and are calculated as the difference between the carrying amount of the financial assets and the estimate of the present value of future cash flows.

For the nine months to December 2017, portfolios of financial assets with similar economic characteristics where there is objective evidence to suggest that they contained impaired assets, but the individually impaired items could not yet be identified, were collectively assessed for impairment. The collectively assessed impairment allowance was calculated on the basis of estimated future cashflows based on historical loss experience.

The accuracy of the allowances made depends on how accurately the Company estimates future cashflows for specific counterparties, in particular 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 20. 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 20.

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 considers the period over which sufficient taxable profits would arise to utilise the deferred tax assets.

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. Increased revenue and profitability over recent periods has resulted in higher taxable profits than previously expected and the utilisation of a substantial part of the tax losses. Management has now reviewed the recoverability in the light of this improvement and whilst remaining cautious about future earnings, particularly in the light of Brexit uncertainty, has concluded that it is appropriate to release £3,250,000 of the provision in this period. As at 31 December 2018, deferred tax assets of £3,250,000 remain unrecognised.

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 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.

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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 2018							
Cash	14	-	-	-	-	-	14
Derivatives	475	-	-	-	-	-	475
Loans and advances to 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**
	Category 1	Category 2	Category 3	Past due but not impaired	Categories 4 and 5	Impairment allowance	Total (net)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2017							
Cash	9	-	-	-	-	-	9
Derivatives	823	-	-	-	-	-	823
Loans and advances to banks	165,358	-	-	-	-	-	165,358
Loans and advances - other	88,101	2,448	547	11,439	56,964	(29,523)	129,976
Debt securities	49,100	-	1,518	-	-	-	50,618
Commitments and guarantees	152,127	-	-	-	-	-	152,127
Other financial assets	78,323	-	-	22,472	782	(782)	100,795
TOTAL	**533,841**	**2,448**	**2,065**	**33,911**	**57,746**	**(30,305)**	**599,706**

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 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**
At 31 December 2017			
Loans and advances - other	-	11,439	11,439
Other financial assets	10,088	12,384	22,472
TOTAL	**10,088**	**23,823**	**33,911**

B.Collateral

All non-group 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 31 December 2018 £'000	Individually impaired 31 December 2018 £'000	Past due but not impaired 31 December 2017 £'000	Individually impaired 31 December 2017 £'000
Property	9,833	16,280	11,439	30,487
Amount of loans collateralised	9,833	27,206	11,439	33,486

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 2018, loans with a carrying value of £2.4m had been extended (31 December 2017: £2.4m), all of which were property loans.

There are a small number of loans which are overdue but not impaired pending an extension of maturity. As at 31 December 2018 these amounted to £9.8m (31 December 2017: £11.4m).

Some loans were renegotiated on substantially different terms than before. Typically these loans include revised covenants and higher margins to reflect higher credit risk as well as having extended maturities. But for these renegotiations the loans would have been deemed to have been impaired. Once a loan is forborne, it will continue to be recognised as forborne until the loan matures or is otherwise derecognised. As at 31 December 2018 the carrying value of all loans forborne was £nil (31 December 2017: £0.5m).

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 2018					
Cash and balances at central banks	14	-	-	-	14
Derivatives	475	-	-	-	475
Loans and advances to 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
At 31 December 2017					
Cash and balances at central banks	9	-	-	-	9
Derivatives	823	-	-	-	823
Loans and advances to banks	7,291	154,503	3,564	-	165,358
Loans and advances - other	59,606	64,863	29	5,478	129,976
Debt securities	48,825	1,519	274	-	50,618
Commitments and guarantees	152,127	-	-	-	152,127
Other financial assets	45,535	37,558	9,793	7,909	100,795
TOTAL	314,216	258,443	13,660	13,387	599,706

Credit risk by industry sector	31 December 2018 £'000	31 December 2017 £'000
Financial (see below)	42,384	15,276
Real estate (see below)	21,367	43,107
Governments and Central Banks	161,038	48,825
Private persons	577	590
Related party loans, commitments and guarantees	489,832	391,113
TOTAL	**715,198**	**498,911**

Financial and real estate sector exposures are analysed as follows:

Financial sector	31 December 2018 £'000	31 December 2017 £'000
Short term interbank exposures	42,023	13,055
Other	361	2,221
TOTAL	**42,384**	**15,276**

Short term interbank lending is held for liquidity management purposes.

Real estate sector	31 December 2018 £'000	31 December 2017 £'000
Senior loans	19,949	41,160
Subordinated/mezzanine	1,418	1,947
TOTAL	**21,367**	**43,107**

Real estate exposures are generally supported by income generated by a large number of tenants from a wide variety of industry sectors. Exposures are broadly evenly split between the major property types (retail, office and industrial) and are located predominantly within the UK. There are no material exposures to loans with elements of development financing.

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.

	31 December 2018			31 December 2017		
	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 to banks	8,037	(7,676)	361	-	-	-

	31 December 2018			31 December 2017		
	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						
Loans and advances to banks	131,844	(77,001)	54,843	72,761	(44,376)	28,385

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	North America £'000	Total £'000
At 31 December 2018				
Equity investments	85,586	34,808	-	120,394
At 31 December 2017				
Equity investments	85,570	54,827	91	140,488

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

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 £232,000 and a post-tax charge to equity of £5,733,000 (31 December 2017: £249,000 and £6,774,000 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 £232,000 and a post-tax credit to equity of £5,733,000 (31 December 2017: £249,000 and £6,774,000 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) 31 December 2018 £'000	31 December 2017 £'000
US$	2,102	377
Euro	1,025	11,646
Other	557	(659)

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 £149,000 (31 December 2017: charge of £460,000). 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 £149,000 (31 December 2017: credit of £460,000). There would be no material impact on equity.

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 also the structural interest rate exposure that arises from the reinvestment of shareholders' funds.

	Sterling £'000	Euro £'000
At 31 December 2018		
+ 1%	(519)	(190)
- 1%	519	190
At 31 December 2017		
+ 1%	(280)	(38)
- 1%	280	38

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 2018						
Cash	14	-	-	-	-	14
Loans and advances to 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**

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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 2017						
Cash	9	-	-	-	-	9
Loans and advances to banks	15,358	150,000	-	-	-	165,358
Derivatives	-	823	-	-	-	823
Loans and advances - other	69,748	-	66,242	32	(6,046)	129,976
Investment securities	150,449	38,829	9,996	1,793	140,488	341,555
Other financial assets	-	100,795	-	-	-	100,795
TOTAL	**235,564**	**290,447**	**76,238**	**1,825**	**134,442**	**738,516**
Due to banks	1,974	-	-	-	-	1,974
Due to group companies	62,903	-	-	-	-	62,903
Derivatives	-	893	-	-	-	893
Commitments and guarantees	-	152,127	-	-	-	152,127
Other financial liabilities	-	23,250	-	-	-	23,250
TOTAL	**64,877**	**176,270**	**-**	**-**	**-**	**241,147**

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 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**
At 31 December 2017						
Due to banks	1,974	-	-	-	-	1,974
Due to group companies	62,903	-	-	-	-	62,903
Other financial liabilities	-	23,250	-	-	-	23,250
TOTAL	**64,877**	**23,250**	**-**	**-**	**-**	**88,127**
Commitments and guarantees	**-**	**152,127**	**-**	**-**	**-**	**152,127**

2.6 Capital management

During the year, the FCA approved NMR's application for the varying of NMR's regulatory permissions and the Company is now designated as an "exempt CAD" firm. 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 to 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.

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

	Carrying value	Fair value	Measured using Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000	£'000
At 31 December 2018					
Financial assets					
Loans and advances to 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**	**-**
At 31 December 2017					
Financial assets					
Loans and advances to banks	165,358	165,358	-	165,358	-
Loans and advances - other	129,976	124,302	-	89,297	35,005
Other financial assets	100,795	100,795	-	100,795	-
TOTAL	**396,129**	**390,455**	**-**	**355,450**	**35,005**
Financial liabilities					
Due to banks	1,974	1,974	-	1,974	-
Due to group companies	62,903	62,903	-	62,903	-
Other financial liabilities	23,250	23,250	-	23,250	-
TOTAL	**88,127**	**88,127**	**-**	**88,127**	**-**

Financial assets and liabilities carried at fair value

	Carrying value equal to fair value	Measured using Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'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**	**-**

	Carrying value equal to fair value £'000	Measured using Level 1 £'000	Level 2 £'000	Level 3 £'000
At 31 December 2017				
Financial assets				
Derivatives	823	-	823	-
Debt securities	50,618	48,826	1,792	-
Equity securities	290,937	184,072	161	106,704
TOTAL	**342,378**	**232,898**	**2,776**	**106,704**
Financial liabilities				
Derivatives	893	-	893	-
TOTAL	**893**	-	**893**	-

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:

	31 December 2018	31 December 2017
Equity securities	**£'000**	**£'000**
Opening balance	106,704	47,312
Total gains and (losses):		
- through other comprehensive income	8,348	59,392
Disposals	(29,533)	-
CLOSING BALANCE	**85,519**	**106,704**

The table below sets out information about significant unobservable inputs used at 31 December 2018 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 a an increase in *fair value of £5m*

The significant unobservable inputs used at 31 December 2017 in measuring financial instruments categorised as Level 3 in the fair value hierarchy were:

Description	Fair value £'000	Valuation technique	Unobservable input	Fair value measurement sensitivity to unobservable inputs
Available-for-sale equity securities	85,519	External valuation based on asset value	n/a	n/a
	21,185	Valuations of the underlying businesses	Discount to price to tangible book value of comparable listed companies (16%)	10% increase in discount to 26% would reduce fair value by £785,000.
			Liquidity discount (20%)	10% increase in the liquidity discount would reduce fair value by £2,647,000.

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

4 Net fee and commission income

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Fee and commission income		
Global advisory fees receivable	454,432	247,053
Banking and credit related fees and commissions	1,433	1,809
Other fees	756	15,781
TOTAL	**456,621**	**264,643**
Fee and commission expense		
Global advisory fees payable	58,260	32,851
Other fees paid	219	256
TOTAL	**58,479**	**33,107**

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

5 Net interest income

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Interest income		
Interest earned on loans and advances	4,106	2,557
Interest earned on available-for-sale investment securities	-	801
Interest earned on investment securities measured at amortised cost	665	-
Interest earned on investment securities measured at fair value through profit and loss	12	-
Interest earned on other financial assets measured at fair value through profit and loss	1,221	-
TOTAL	**6,004**	**3,358**
Interest expense		
Interest on amounts due to banks and customers	1,991	223
TOTAL	**1,991**	**223**

Included within interest income is £487,000 (9 months ended 31 December 2017: £757,000) in respect of interest income accrued on impaired financial assets.

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

6 Dividend income

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Dividends from subsidiary undertakings	875	9,300
Dividends from associated undertakings	2,723	-
Dividends from joint ventures	1,035	2,407
Dividends from other group companies	1,074	1,848
Dividends from investments measured at fair value through profit and loss	604	-
Other dividends	-	700
TOTAL	6,311	14,255

7 Other operating income

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Other operating income		
Rental income	150	95
Gains less losses from disposals of available-for-sale financial assets	-	6,415
Gains on derecognition of assets held at amortised cost	-	-
Losses on derecognition of assets held at amortised cost	-	-
Equities designated as fair value through profit and loss – net change in fair value	(215)	299
Foreign exchange gains	(459)	1,034
Other	2,025	4,035
TOTAL	1,501	11,878

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

8 Operating expenses

	Note	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Staff costs	9	298,147	187,757
Administrative expenses		57,235	41,804
Less: recharges to other group companies		(51,228)	(14,477)
TOTAL		**304,154**	**215,084**

The auditor's remuneration was as follows:

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Audit fees relating to the Company	142	132
Audit fees relating to subsidiary undertakings and other affiliates	60	71
TOTAL	**202**	**203**

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

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Audit-related assurance services	49	63
TOTAL	**49**	**63**

9 Staff costs

	Note	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Fixed and variable remuneration		229,360	142,125
Social security costs		34,477	19,693
Staff benefits and other staff costs		17,635	17,505
Pension costs			
- defined benefit plans	20	10,349	4,168
- defined contribution plans	20	5,158	3,710
Post-retirement benefits		1,168	556
TOTAL STAFF COSTS		**298,147**	**187,757**

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

	31 December 2018	31 December 2017
Global Advisory	440	415
Banking and Merchant Banking	59	61
Support and other	249	234
TOTAL	**748**	**710**

The average number of persons employed was as follows:

	Year to 31 December 2018	Nine months to 31 December 2017
Global Advisory	424	417
Banking and Merchant Banking	56	59
Support and other	245	230
TOTAL	**725**	**706**

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 Rothschild & 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 £43,815,000 (31 December 2017: £23,335,000).

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 Company, 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:

	Year to 31 December 2018		9 months to 31 December 2017	
	Number	Weighted average exercise price €	Number	Weighted average exercise price €
At beginning of period	**1,692,500**	**21.72**	**1,500,000**	**19.45**
Issued	-	-	280,000	32.69
Forfeited	-	-	-	-
Expired	-	-	-	-
Cancelled	-	-	-	-
Exercised	(292,500)	20.45	(87,500)	(17.74)
AT END OF PERIOD	**1,400,000**	**21.99**	**1,692,500**	**21.72**
Exercisable at the end of the period	705,000	18.22	562,500	19.53

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

Exercise price range €	31 December 2018 Number of options outstanding	31 December 2018 Weighted average contractual life (years)	31 December 2017 Number of options outstanding	31 December 2017 Weighted average contractual life (years)
17.50	312,500	4.75	320,000	5.75
18.00	172,500	4.75	242,500	5.75
19.00	200,000	4.75	325,000	5.75
20.00	325,000	4.75	325,000	5.75
23.62	20,000	6.95	50,000	7.95
24.12	30,000	6.95	50,000	7.95
25.12	30,000	6.95	50,000	7.95
26.12	30,000	6.95	50,000	7.95
31.56	70,000	9.0	70,000	10.00
32.06	70,000	9.0	70,000	10.00
33.06	70,000	9.0	70,000	10.00
34.06	70,000	9.0	70,000	10.00
TOTAL	**1,400,000**	**5.2**	**1,692,500**	**6.70**

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 £0.3m (9 months ended 31 December 2017: £7.2m). 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.

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 a cash-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:

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Rothschild & Co equity scheme	380	1,166
Rothschild & Co share-based payments	1,627	4,131
TOTAL	**2,007**	**5,297**

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

10 Tax

Tax charged to the income statement:

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Current tax:		
- Current period	9,995	1,720
- Prior year adjustments	(376)	9
Total current tax	**9,619**	**1,729**
Deferred tax:		
- Origination and reversal of timing differences	10,648	4,469
- Prior year adjustments	207	347
- Recognition of previously derecognised deferred tax	(3,250)	-
Total deferred tax	**7,605**	**4,816**
TOTAL TAX CHARGED TO INCOME STATEMENT	**17,224**	**6,545**

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

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Deferred tax on securities measured at fair value through OCI	(5)	-
Current tax on securities measured at fair value through OCI	5	-
Deferred tax on available-for-sale financial assets	-	(423)
Current tax on available-for-sale financial assets	-	(20)
Deferred tax on actuarial gains and losses on defined benefit pension schemes	2,767	181
TOTAL TAX CHARGED TO OTHER COMPREHENSIVE INCOME	**2,767**	**(262)**

Tax on items credited to equity:

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Current tax on distributions to holders of perpetual instruments	(877)	(1,011)
Current tax on exercise of share options	(783)	-
Deferred tax on valuation of share options	(1,658)	-
	(3,318)	**(1,011)**

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:

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Profit before tax	101,322	43,228
Tax calculated at the UK corporation tax rate of 19% (9 months to 31 December 2017:19%)	19,251	8,213
Adjustment to tax charge in respect of prior years	(169)	356
Impact on deferred tax of corporation tax rate change	(521)	(8)
Non tax deductible expenses	1,015	808
Group dividends not subject to tax	(888)	(2,118)
Other income not subject to tax	-	(729)
Irrecoverable dividend withholding tax	639	278
Non tax deductible impairment provisions	223	-
Recognition of previously derecognised deferred tax	(3,250)	-
Other	924	(255)
TOTAL TAX CHARGED TO INCOME STATEMENT	**17,224**	**6,545**

Further information about deferred tax is presented in note 19.

11 Loans and advances

	31 December 2018 £'000	31 December 2017 £'000
Loans and advances to banks:		
Included in cash and cash equivalents - group	80,361	152,315
Included in cash and cash equivalents – other	42,010	13,043
Other – group lending	170,484	-
TOTAL	**292,855**	**165,358**

	31 December 2018 £'000	31 December 2017 £'000
Loans and advances - other:		
Loans and advances to group companies	84,483	87,400
Loans and advances - other	42,832	72,099
Allowance for credit losses - other	(21,420)	(29,523)
TOTAL	**105,895**	**129,976**

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 2018 was £84,677,000 (31 December 2017: £44,376,000).

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

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 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**
At 1 April 2017	**20,091**	**10,545**	**-**	**-**	**-**	**30,636**
Charge/(credit) to income statement	5,406	(4,499)	-	-	-	907
Amounts written off	(2,106)	-	-	-	-	(2,106)
Recoveries	56	-	-	-	-	56
Exchange movements	30	-	-	-	-	30
AT 31 DECEMBER 2017	**23,477**	**6,046**	**-**	**-**	**-**	**29,523**

12 Investment securities

	31 December 2018 £'000	31 December 2017 £'000
Debt securities - available-for-sale	-	50,598
Debt securities – amortised cost	160,858	-
Debt securities - fair value through profit and loss	1,686	-
Accrued interest	180	20
TOTAL DEBT SECURITIES	**162,724**	**50,618**
Equity securities - available-for-sale (excluding money market funds – see note*)	-	168,529
Equity securities - fair value through profit and loss (excluding money market funds – see note*)	5,727	4,973
Equity securities – fair value through OCI	114,667	-
Allowance for impairment	-	(33,014)
	120,394	**140,488**
Equity securities - available-for-sale (money market funds – see note*)	-	150,449
Equity securities – fair value through profit and loss (money market funds – see note*)	74,553	-
TOTAL EQUITY SECURITIES	**194,947**	**290,937**
TOTAL INVESTMENT SECURITIES	**357,671**	**341,555**

*Included in available-for-sale equities at 31 December 2017 are investments in AAA rated money market funds which are held for liquidity management purposes. The underlying assets of the funds consist of a diversified portfolio of high quality Sterling denominated short term debt and debt-related instruments. The funds are actively managed by third party investment teams and are defined as "Short-Term Money Market Fund" by the European Securities and Markets Authority and readily convertible into cash. On transition to IFRS 9 on 1 January 2018, these money market funds were designated as fair value through profit and loss.

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

Debt and equity securities may be analysed as follows:

	31 December 2018 £'000	31 December 2017 £'000
Debt securities		
- Listed	162,724	50,618
Total debt securities	162,724	50,618
Equity securities		
- Listed	34,830	33,650
- Unlisted	160,117	257,287
Total equity securities	194,947	290,937
TOTAL DEBT AND EQUITY SECURITIES	357,671	341,555

Equity securities include shares in Rothschild & Co SCA and Third New Court Limited, fellow subsidiaries of Rothschild & Co Concordia SAS which, on transition to IFRS 9 on 1 January 2018, have been designated as fair value through other comprehensive income since they are held for strategic reasons. Shares in Rothschild & Co Holding AG, a fellow subsidiary of Rothschild & Co Concordia SAS, were sold during the year to another group company for £29,533,000.

The movement in the impairment allowance for debt and equity securities is as follows:

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Debt securities		
At beginning of period		**938**
Charge/(credit) to the income statement		(1,001)
Exchange movements		63
AT END OF PERIOD		-
Equity securities		
At beginning of period	33,014	**34,153**
Transition to IFRS 9	(33,014)	-
Realised on disposal		(1,139)
AT END OF PERIOD	-	33,014

The movement in debt and equity securities is as follows:

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
At beginning of period	341,555	**352,748**
Transition to IFRS 9	(20)	-
	341,535	**352,748**
Additions	525,837	72,240
Disposals (sale and redemption)	(518,973)	(149,666)
Gains from changes in fair value	9,112	63,778
Movement in allowance for impairment		1,001
Movement in accrued interest	160	(77)
Exchange differences	-	1,531
AT END OF PERIOD	357,671	341,555

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

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

	Notional principal		Positive fair value		Negative fair value	
	31 December 2018 £'000	31 December 2017 £'000	31 December 2018 £'000	31 December 2017 £'000	31 December 2018 £'000	31 December 2017 £'000
Forward foreign exchange contracts	185,422	206,501	475	823	(1,760)	(893)
TOTAL	**185,422**	**206,501**	**475**	**823**	**(1,760)**	**(893)**

14 Other assets

	31 December 2018 £'000	31 December 2017 £'000
Accounts receivable and prepayments	41,165	64,486
Accrued income	28,823	11,950
Intra-group receivables	45,636	39,028
Stock	4	4
Other	1,222	3,488
TOTAL	**116,850**	**118,956**

Accounts receivable are net of allowances of £1,506,000 (31 December 2017: £782,000).

15 Investments in subsidiary undertakings

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Net book value at beginning of period	**11,411**	**11,411**
Additions	295	-
Impairment provisions	(1,175)	-
NET BOOK VALUE AT END OF PERIOD	**10,531**	**11,411**

The subsidiary companies are held at cost of £45,766,000 less impairment provisions of £35,235,000. The impairment provision followed the transfer of the business of Investor Perceptions Limited to the Company.

Notes to the financial statements
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Since the Company no longer had a business to generate income it was deemed appropriate to write the investment down to net asset value.

The subsidiary undertakings of the Company as at 31 December 2018 are detailed in note 30.

16 Investments in associates and joint ventures

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
COST AT BEGINNING AND END OF PERIOD	30,280	30,280

The Company's interests in associates and joint ventures are as follows:

	Country of residence	Ownership interest	Description of business
Rothschild Martin Maurel SCS	France, with registered office at 29 Avenue de Messine, 75008, Paris.	6.56%	Limited partnership bank
Rothschild & Co Europe Partnership (formerly N M Rothschild 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 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**
Cost at 1 April 2017	**48,602**	**2,361**	**9,428**	**60,391**
Additions	-	114	-	114
Reclassifications	-	712	(712)	-
Disposals	-	(93)	-	(93)
At 31 December 2017	**48,602**	**3,094**	**8,716**	**60,412**
Accumulated depreciation at 1 April 2017	**18,473**	**1,372**	**8,004**	**27,849**
Depreciation charge	2,168	237	181	2,586
Reclassifications	-	392	(392)	-
Disposals	-	(91)	-	(91)
At 31 December 2017	**20,641**	**1,910**	**7,793**	**30,344**
NET BOOK VALUE AT 31 DECEMBER 2017	**27,961**	**1,184**	**923**	**30,068**

18 Other liabilities

	31 December 2018 £'000	31 December 2017 £'000
Accounts payable	1,348	2,422
Intra-group payables	22,443	22,014
Other liabilities	9,049	11,542
TOTAL	32,840	35,978

19 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:

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
At beginning of period	**28,684**	**33,258**
Transition to IFRS 9	55	-
	28,739	**33,258**
Recognised in income		
Income statement charge	(7,605)	(4,816)
Recognised in equity		
Defined benefit pension arrangements	(2,767)	(181)
Debt and equity securities		
- fair value measurement	5	423
Valuation of share options	1,658	-
AT END OF PERIOD	**20,030**	**28,684**

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

	31 December 2018 £'000	31 December 2017 £'000
Accelerated tax depreciation	2,161	2,308
Deferred profit share arrangements	16,575	15,385
Pension and other post-retirement benefits	(973)	3,897
Debt and equity securities	(189)	(198)
Tax losses	2,414	7,292
Other temporary differences	42	-
TOTAL	20,030	28,684

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

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

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Accelerated tax depreciation	(147)	(723)
Deferred profit share arrangements	(468)	(876)
Pensions and other post-retirement benefits	(2,103)	(1,983)
Tax losses	(4,878)	(1,234)
Other temporary differences	(9)	-
TOTAL	**(7,605)**	**(4,816)**

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. Increased revenue and profitability over recent periods has resulted in higher taxable profits than previously expected and the utilisation of a substantial part of the tax losses. Management has now reviewed the recoverability in the light of this improvement and whilst remaining cautious about future earnings, particularly in the light of Brexit uncertainty, has concluded that it is appropriate to release £3,250,000 of the provision in this period. As at 31 December 2018, deferred tax assets of £3,250,000 (31 December 2017: £6,500,000) remain unrecognised. These represent £17,105,000 of unutilised tax losses.

20 Defined benefit pension plans and other post-retirement benefits

The Company operates a pension scheme, the NMR Pension Fund ("the Fund"), for the benefit of employees of the Company as well as certain other Rothschild & 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 Company also has £1,467,000 (31 December 2017: £1,672,000) of unfunded obligations in respect of pensions and other post-retirement benefits.

For the defined benefit section, benefits are based on actual service and final pensionable salary. The weighted average duration of the expected benefit payments from the Fund is 18.8 years. The Fund is registered with HMRC for tax purposes, and is operated separately from the Company and managed by independent trustees. The trustees are responsible for payment of the benefits and management of the Fund's assets. The Fund is subject to UK regulations, which require the Company and trustees to agree a funding strategy and contribution schedule for the Fund.

As with most defined benefit schemes, the defined benefit section of the Fund exposes the Company to a number of risks including longevity, inflation, interest rate and investment performance. These risks are mitigated by an investment strategy for the Fund which aims to minimise the long term costs of the Fund. 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.

The matching assets that the Fund invests in include corporate bonds, government securities and a specific liability driven investment ("LDI") mandate. Overall the matching portfolio provides roughly a 33% hedge of the Fund's interest rate exposure and 50% of the Fund's inflation exposure. The LDI manager invests in a combination of bonds and swaps, depending on the relative attractiveness of each instrument.

Overall, the objective is to select assets which will generate income and capital growth to meet, together with new contributions, the cost of current and future benefits payable by the Fund.

The latest formal actuarial valuation of the Fund was carried out as at 31 March 2016 and has been updated for IAS 19 purposes to 31 December 2018 by qualified independent actuaries. As required by IAS 19, 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. Re-measurement 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 as at the balance sheet date were as follows:

	31 December 2018	31 December 2017	31 March 2017
Discount rate	2.90%	2.60%	2.80%
Retail price inflation	3.20%	3.20%	3.20%
Consumer price inflation	2.10%	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	3.10%	3.10%	3.10%
Capped at 2.5% per annum	2.10%	2.10%	2.10%
Life expectancy of a pensioner aged 60:			
Male	28.7	28.8	29.2
Female	29.7	29.9	30.4
Life expectancy of a future pensioner aged 60 in 20 years' time:			
Male	30.2	30.3	31.1
Female	31.3	31.4	32.3

The value placed on the defined benefit liabilities is sensitive to the actuarial assumptions used above. Those assumptions that have the most significant impact on the measurement of the liability, along with an indication of the sensitivity of the assumption, are as follows:

	31 December 2018 £'000	31 December 2017 £'000
0.5% increase in discount rate	(70,200)	(79,600)
0.5% increase in price inflation	54,200	62,400
1 year increase in life expectancy	27,800	30,800

The sensitivities shown above reflect only the change in the assessed defined benefit obligation for the 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.

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

	Plan assets £'000	Defined benefit obligations £'000	Net defined benefit liability £'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**

	Plan assets £'000	Defined benefit obligations £'000	Net defined benefit liability £'000
At 1 April 2017	**830,416**	**(860,777)**	**(30,361)**
Current service cost (net of contributions paid by other plan participants)	-	(2,799)	**(2,799)**
Current service cost relating to other plan participants	-	(247)	**(247)**
Interest income/(cost)	17,403	(17,882)	**(479)**
Re-measurements due to:			
- actual return less interest on plan assets	19,041	-	**19,041**
- changes in financial assumptions	-	(25,487)	**(25,487)**
- changes in demographic assumptions	-	9,903	**9,903**
- experience gains/(losses)	-	(2,393)	**(2,393)**
Benefits paid	(23,678)	23,678	**-**
Contributions by the Company	14,509	-	**14,509**
Contributions by other plan participants	247	-	**247**
Administration expenses	(890)	-	**(890)**
AT 31 DECEMBER 2017	**857,048**	**(876,004)**	**(18,956)**

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

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

	31 December 2018 £'000	31 December 2017 £'000
Quoted		
Corporate bonds	89,817	96,074
Index-linked gilts	28,095	28,355
Liability driven investments (LDI)	177,593	186,932
Equities	216,118	304,722
Emerging market debt	27,499	40,719
Private markets	25,227	26,184
Structured credit	90,274	19,350
Unquoted		
Fund of hedge funds	2,342	3,332
Private markets - unquoted	87,243	69,937
Leveraged loans	8,777	8,833
Equities	688	690
Cash and net current assets	79,597	71,920
TOTAL	**833,270**	**857,048**

Equities includes £688,000 (31 December 2017: £690,000) of shares in companies that are related parties of the Company.

Amounts recognised in the income statement are as follows:

	Note	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Employers' part of current service cost		3,626	2,799
Past service costs		5,000	-
Net interest cost		189	479
Administration expenses		1,534	890
TOTAL (INCLUDED IN STAFF COSTS)	**9**	**10,349**	**4,168**

On 26 October 2018, the High Court handed down a judgment concluding that the Lloyds Bank defined benefit schemes should remove the effect on pension benefits of inequalities between men and women in relation to guaranteed minimum pension (GMP), and concluded on certain methods that were appropriate to do this. In line with UK practice for companies sponsoring schemes with GMP liabilities relating to member service between May 1990 and April 1997, the Company assumed that this ruling will apply more widely. The estimated impact on liabilities at the date of the judgment is an increase of £5m. This estimate is based on a number of assumptions and the actual impact may be different as the full implications of the judgment are not known including important details on the legal and administrative positions, and the Company and trustees have yet to take decisions on how to implement the judgment. This estimated cost has been recognised in the income statement as a past service cost.

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

Amounts recognised in the statement of comprehensive income:

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Actuarial gains/(losses) recognised in the period	16,279	1,064
Cumulative actuarial losses recognised in the statement of comprehensive income	(165,297)	(181,576)

Following the March 2016 triennial actuarial valuation of the 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 2023 with annual contributions of £15.0m. In addition, participating employers in the Fund have agreed to pay 46.6% of in-service members' pensionable salaries in respect of future accrual.

It is estimated that total contributions of £20.9m will be paid to the defined benefit pension schemes in the year ending 31 December 2019, of which it is estimated that the Company will pay £20.4m.

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 Fund do not have a unilateral power to wind up the Fund and the Fund's 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 Fund.

Defined contribution schemes

	Note	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Contributions paid	9	5,158	3,710

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

21 Contingent liabilities and commitments

	31 December 2018 £'000	31 December 2017 £'000
Guarantees		
Guarantees and irrevocable letters of credit	143,469	150,225
Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend	9,766	1,902

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, the Directors do not believe that there are any potential or actual proceedings or other claims which will have a material adverse impact on the Company's financial position.

22 Operating lease commitments

At 31 December 2018, the Company was obligated under a number of non-cancellable operating leases used for business purposes. The significant premises leases usually include renewal options and escalation clauses in line with normal office rental market terms.

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

	31 December 2018 £'000	31 December 2017 £'000
Up to 1 year	12,275	11,783
Between 1 and 5 years	46,434	47,228
More than 5 years	210,369	217,256
TOTAL	**269,078**	**276,267**

Operating expenses include operating lease rentals of £12,005,000 (9 months ended 31 December 2017: £8,775,000).

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

	31 December 2018 £'000	31 December 2017 £'000
Up to 1 year	150	150
Between 1 and 5 years	599	599
More than 5 years	-	150
TOTAL	**749**	**899**

23 Distributions

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Other equity Interests		
Perpetual Floating Rate Subordinated Loan (US$100 million)	2,105	1,066
Perpetual Fixed Rate Subordinated Loan (£75 million)	6,743	5,094
Perpetual Floating Rate Subordinated Loan (€150 million)	1,548	1,162
	10,396	**7,322**
Tax credit thereon	(877)	(1,011)
	9,519	**6,311**
Ordinary shares		
Dividends paid	70,000	55,000
TOTAL	**79,519**	**61,311**

The dividends per ordinary share were £1.21 (9 months ended 31 December 2017: 95p).

24 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.

	31 December 2018 £'000	31 December 2017 £'000
Cash	14	9
Loans and advances to banks	122,371	165,358
Equity securities – money market funds	74,553	150,449
Debt securities	131,057	28,826
TOTAL	**327,995**	**344,642**

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

25 Transactions with related parties

Transactions with key management personnel (and their connected persons) of the Company are as follows:

	31 December 2018 £'000	31 December 2017 £'000
Loans and accrued interest	-	1

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

Loans are made to Directors for the purchase of travel season tickets and are provided on an interest-free basis.

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Key management personnel compensation:		
Short-term employee benefits	18,474	5,039
Post-retirement benefits	12	8
Other deferred benefits	6,425	3,661

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

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

	31 December 2018		31 December 2017	
	Loans and advances	Other assets	Loans and advances	Other assets
	£'000	£'000	£'000	£'000
Amounts due from parent companies	56,889	29	-	-
Amounts due from subsidiary undertakings	1,518	6,187	1,369	15,993
Amounts due from associates and joint ventures	-	434	-	2,890
Amounts due from other related parties	276,845	38,985	238,240	30,024

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:

	31 December 2018			31 December 2017		
	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	54,483	-	10	28,385	-	-
Amounts due to subsidiary undertakings						
- subordinated	-	51,725	-	-	51,725	-
- other	17,210	-	7,707	7,934	-	4,793
Amounts due to associates and joint ventures	-	-	6,127	-	-	9,396
Amounts due to other related parties						
- subordinated	-	72,610	-	-	72,610	-
- other	33,054	-	11,658	28,551	-	9,684

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:

	31 December 2018	31 December 2017
	£'000	£'000
Guarantees made on behalf of subsidiary undertakings	142,253	148,852
Guarantees made on behalf of other related parties	1,000	133
Guarantees received from other related parties	-	4,095

Included in the above is a guarantee of £134,076,000 (31 December 2017: £133,151,000) 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.

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

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:

	31 December 2018 £'000	31 December 2017 £'000
Undrawn credit commitments	9,600	1,559

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 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
Nine months to 31 December 2017					
Interest receivable	292	-	-	843	1,135
Interest payable	-	-	-	(80)	(80)
Fees and commissions receivable	750	16,069	-	28,854	45,673
Fees and commissions payable	-	(7,903)	(11,277)	(10,672)	(29,852)
Dividend income	919	9,300	2,407	929	13,555
Rent payable	-	-	-	(7,888)	(7,888)
Recoverable expenses	5,029	(260)	102	9,122	13,993

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

As set out in note 12, NMR's holding of shares in Rothschild & Co Holding AG, a fellow subsidiary of Rothschild & Co Concordia SAS, were sold during the year to another group company for £29,533,000.

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

26 Remuneration of Directors

	Year to 31 December 2018 £'000	Nine months to 31 December 2017 £'000
Directors' emoluments	3,129	2,479
Amounts receivable under deferred profit share schemes	354	244
	3,483	**2,723**
Pension contributions to money purchase schemes	12	8
	3,495	**2,731**

The emoluments of the highest paid director were £990,000 (9 months ended 31 December 2017: £937,500).

	31 December 2018	31 December 2017
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	2	2
Defined benefit schemes	1	1

27 Share capital

	31 December 2018	31 December 2017
Authorised	199,900,000	199,900,000
Allotted, called up and fully paid ordinary shares of £1 each	57,654,551	57,654,551

28 Perpetual instruments

	31 December 2018 £'000	31 December 2017 £'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**

29 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 (formerly N M Rothschild Holdings 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
(forming part of the financial statements)

30 Subsidiary undertakings

The subsidiary undertakings of the Company as at 31 December 2018 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
Investor Perceptions Limited	100
Lanebridge Holdings Limited	100
Lanebridge Investment Management Limited	100
Marplace (Number 480) Limited	100
O C Investments Limited	100
RJVTMCO Limited	99
Rothschild & Co Australia Holdings Limited (formerly Rothschild Australia Holdings Limited)	100
Rothschild & Co Gold Limited (formerly Rothschild Gold limited)	100
Rothschild Limited	100
Rothschild & Co Reserve Limited (formerly Rothschild Reserve Limited)	100
Rothschild & Co Continuation Finance PLC (formerly Rothschilds 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 *(formerly Rothschild Australia Limited; incorporated in Australia with registered office at Level 34, 88 Phillip Street, Sydney, NSW 2000)*	100
Rothschild & Co Proprietary 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 *(incorporated in Jersey, C.I. with registered office at Whiteley Chambers, Don Street, St. Helier JE4 9WG)*	100

	Percentage ownership	
	%	%
Rothschild & Co Europe BV (formerly Rothschild Europe BV; incorporated in The Netherlands with registered office at Ankersmidplein 2, 1506 CK Zaandam), which owns the following subsidiaries:		50.01
Rothschild & Co Deutschland GmbH (formerly Rothschild GmbH (incorporated in Germany with registered office at Börsenstrasse 2-4, 60313 Frankfurt)	100	
Rothschild & Co Italia SpA (formerly Rothschild SpA; 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 (formerly Rothschild S.A.; incorporated in Spain with registered office at Paseo de la Castellana 35, 3 planta, 28046 Madrid)	98	
Rothschild & Co Portugal Lda (formerly Rothschild 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 (formerly Rothschild-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. (formerly Rothschild Polska Sp. z o.o.; incorporated in Poland with registered office at Rzymowskiego 34, 02-697 Warsaw)	100	
Rothschild & Co CIS BV (formerly RCF (Russia) BV; incorporated in The Netherlands with registered office at Ankersmidplein 2, 1506 CK Zaandam)	100	
Rothschild & Co Middle East Limited (formerly Rothschild (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 (formerly Rothschild (Qatar) 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 BV (formerly RCF (Israel) BV; incorporated in The Netherlands with registered office at Ankersmidplein 2, 1506 CK Zaandam)	100	
Rothschild & Co Nordic AB (formerly Rothschild Nordic AB; incorporated in Sweden with registered office at Strandvägen 7 A, 114 56 Stockholm)	100	

31 Transition to IFRS 9 on 1 January 2018

a) Classification of financial assets and liabilities.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of financial assets and liabilities as at 1 January 2018:

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying value under IAS 39 £'000	New carrying value under IFRS 9 £'000
Financial assets					
Cash		Loans and receivables	Amortised cost	9	9
Derivatives	13	FVTPL	FVTPL (mandatory)	823	823
Loans and advances to banks	11	Loans and receivables	Amortised cost	165,358	165,358
Loans and advances to customers	11	Loans and receivables	Amortised cost	129,976	129,960
Equity securities – held to hedge employee liabilities	12	FVTPL designated	FVTPL (mandatory)	4,973	4,973
Treasury bills - liquidity holding	12	AFS	Amortised cost	48,825	48,805
Notes in securitised vehicles - junior tranches	12	AFS	FVTPL (mandatory)	1,793	1,793
Group equity securities held for strategic reasons	12	AFS	Designated FVOCI	135,354	135,354
Money market funds – equity	12	AFS	Designated FVTPL	150,449	150,449
Other equity holdings	12	AFS	Designated FVTPL	161	161
Trade and other receivables	14	Loans and receivables	Amortised cost	100,795	100,544
Total financial assets				**738,516**	**738,229**
Financial liabilities					
Due to banks		Amortised cost	Amortised cost	1,974	1,974
Derivatives	13	FVTPL	FVTPL (mandatory)	893	893
Due to group companies		Amortised cost	Amortised cost	62,903	62,903
Trade and other payables	18	Amortised cost	Amortised cost	23,250	23,250
Total financial liabilities				**89,020**	**89,020**

b) Impact of transition to IFRS 9

The following table shows the effect on the Company's balance sheet of the transition from IAS 39 to IFRS 9:

	IAS 39 Balance Sheet 31 December 2017	Classification and measurement changes	Expected credit loss	IFRS 9 Balance Sheet 1 January 2018
	£'000	£'000	£'000	£'000
Assets				
Cash	9	-	-	9
Derivatives	823	-	-	823
Loans and advances to banks	165,358	-	-	165,358
Loans and advances – other	129,976	-	(16)	129,960
Debt securities – available-for-sale	50,618	(50,618)	-	-
Debt securities – amortised cost	-	48,805	-	48,805
Debt securities – fair value through profit and loss	-	1,793	-	1,793
Equity securities – available-for-sale	285,964	(285,964)	-	-
Equity securities – fair value through OCI	-	135,354	-	135,354
Equity securities – fair value through profit and loss	4,973	150,610	-	155,583
Other assets	118,956	-	(251)	118,705
Investments in subsidiary undertakings	11,411	-	-	11,411
Investments in associates and joint ventures	30,280	-	-	30,280
Property, plant and equipment	30,068	-	-	30,068
Current tax assets	352	-	-	352
Deferred tax assets	28,684	4	51	28,739
Total assets	**857,472**	**(16)**	**(216)**	**857,240**
Liabilities				
Due to banks	1,974	-	-	1,974
Due to group companies	62,903	-	-	62,903
Derivatives	893	-	-	893
Other liabilities	54,934	-	-	54,934
Current tax liabilities	18	-	-	18
Accruals and deferred income	142,509	-	-	142,509
Total liabilities	**263,231**	**-**	**-**	**263,231**
Equity				
Share capital	57,655	-	-	57,655
Share premium account	97,936	-	-	97,936
Retained earnings	240,217	1,023	(216)	241,024
Fair value reserve	74,098	(1,039)	-	73,059
	469,906	**(16)**	**(216)**	**469,674**
Perpetual instruments	124,335	-	-	124,335
Total equity	**594,241**	**(16)**	**(216)**	**594,009**
Total equity and liabilities	**857,472**	**(16)**	**(216)**	**857,240**

c) Reclassification of financial assets to amortised cost

The following table shows the effect of the reclassification of financial assets from available-for-sale under IAS 39 to the amortised cost category under IFRS 9:

	£'000
Fair value as at 31 December 2018	161,035
Fair value gain/(loss) that would have been recognised during the year if the financial asset had not been reclassified	158

d) Reconciliation of impairment allowance on transition from IAS 39 to IFRS 9

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 as at 31 December 2017 to the opening ECL allowance determined under IFRS 9 as at 1 January 2018:

	IAS 39 Balance Sheet 31 December 2017	Classification and measurement changes	Expected credit loss	IFRS 9 Balance Sheet 1 January 2018
	£'000	£'000	£'000	£'000
Loans and receivables (IAS 39) / Financial assets at amortised cost (IFRS9)				
Loans and advances - other	29,523	-	16	29,539
Accounts receivable	782	-	251	1,033