

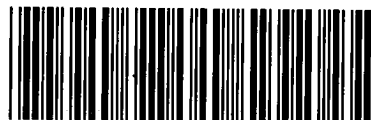
# **Muzinich & Co Limited**

Registered number: 03852444

## **Directors' report and financial statements**

**For the year ended 31 December 2016**

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# MUZINICH & CO LIMITED

## COMPANY INFORMATION

<b>Directors</b>	G M Muzinich M Clark M Ludwig T Greil Castro A M Romanovsky E T Molnar (appointed 4 May 2016)
<b>Registered number</b>	03852444
<b>Registered office</b>	8 Hanover Street London W1S 1YQ
<b>Independent auditor</b>	Mazars LLP Chartered Accountants & Statutory Auditor The Pinnacle 160 Midsummer Boulevard Milton Keynes MK9 1FF

# **MUZINICH & CO LIMITED**

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# MUZINICH & CO LIMITED

## GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

### Introduction

The Directors present their Group Strategic Report for the year ended 31 December 2016.

### Business review

The principal activity of the Group was that of corporate credit fund manager. The Group serves as investment manager of the Muzinich UCITS funds, the Muzinich AIF funds and a range of separately managed and sub-advisory investment management contracts for institutional clients.

The Group's branch offices in France, Germany, Italy and Spain and its subsidiary offices in Switzerland and Singapore act as client service managers for the Group.

The Group's subsidiary registered in Luxembourg, Muzinich European Private Debt SARL, acts as General Partner of the majority of the Muzinich AIF private debt funds.

The Group launched its Italian and Iberian private debt funds in 2014 and launched its UK, North West and French private debt funds in 2015. The Group will be launching a Pan-European private debt fund in 2017. Management expect profitability of the Group to be enhanced by the private debt business in the years ahead.

The pre-existing public debt fund management business performed well in the year compared to competitors.

Management continue to pursue growth and expect to further develop the business's client base and funds under management.

### Principal risks and uncertainties

The business has a long history of superior risk-adjusted returns in a variety of market conditions and has an experienced credit team. This positions the business well for continued growth.

The Group has significant retained liquid resources and the business's major operating costs are semi-variable. These factors offer the Group, its clients and creditors protection in the event of an unforeseen decline in revenues.

### Financial key performance indicators

The Directors review the Group's financials in detail on a monthly basis. Additionally, they monitor a number of internal performance indicators to assess the business's fund management and client service delivery. Disclosure of these internal performance indicators would be prejudicial to the business. It is management's view, however, that strong delivery in these areas will ultimately result in improved Group financials over the long term. The Directors are satisfied with the Group's financials for the year ended 31 December 2016.

This report was approved and signed on behalf of the board by.

  
M Clark  
Director

Date:

25/4/17

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# **MUZINICH & CO LIMITED**

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## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

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The Directors present their report and the financial statements for the year ended 31 December 2016.

### **Directors' responsibilities statement**

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Results and dividends**

The profit for the year, after taxation, amounted to £22,116,531 (2015 - £11,959,332).

Dividends paid in the year amount to \$15,000,000 (2015: \$15,000,000).

The Directors do not recommend payment of a final dividend for the year (2015: £NIL).

### **Directors**

The Directors who served during the year were:

G M Muzinich  
M Clark  
M Ludwig  
T Greil Castro  
A M Romanovsky  
E T Molnar (appointed 4 May 2016)

### **Charitable donations**

During the year the Company made charitable donations of £4,077 (2015: £850).

# MUZINICH & CO LIMITED

## **DIRECTORS' REPORT (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2016**

### **Future developments**

The Directors expect the business to continue to do well for the foreseeable future.

### **Qualifying third party indemnity provisions**

As at the date of this report, the Company has made qualifying third party indemnity provisions for the benefit of all of its Directors.

### **Disclosure of information to auditor**

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.


### **Auditor**

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

M Clark  
Director

Date:

  
25/12/17

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## **MUZINICH & CO LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MUZINICH & CO LIMITED**

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We have audited the financial statements of Muzinich & Co Limited for the year ended 31 December 2016 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

#### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the Company's member 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 member those matters we are required to state to it 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 member for our audit work, for this report, or for the opinions we have formed.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on the other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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## MUZINICH & CO LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MUZINICH & CO LIMITED

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#### Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.



Stephen Brown (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

The Pinnacle  
160 Midsummer Boulevard  
Milton Keynes  
MK9 1FF

Date: 26 April 2017



## MUZINICH & CO LIMITED

### CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Revenue	3	64,472,721	46,001,975
Administrative expenses		(36,470,968)	(31,188,237)
Other operating income		60,866	-
<b>Operating profit</b>	5	28,062,619	14,813,738
Income from other fixed asset investments	9	245,685	161,987
<b>Profit before tax</b>		28,308,304	14,975,725
Tax on profit	10	(6,191,773)	(3,016,393)
<b>Profit for the year</b>		22,116,531	11,959,332

The notes on 15 to 38 form part of these financial statements.

# MUZINICH & CO LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Profit for the financial year		22,116,531	11,959,332
<b>Other comprehensive income</b>			
Unrealised surplus on revaluation of current asset investments including foreign exchange impact		7,525,870	1,128,794
Unrealised surplus/(deficit) on revaluation of non-current asset investments including foreign exchange impact		247,898	(11,615)
Deferred tax on unrealised surplus/(deficit) on revaluation of investments including foreign exchange impact		(1,484,723)	(223,436)
Effect of tax rate changes of deferred tax on unrealised surplus		14,482	-
<b>Other comprehensive income for the year</b>		6,303,527	893,743
<b>Total comprehensive income for the year</b>		28,420,058	12,853,075
The notes on pages 15 to 38 form part of these financial statements.			


**MUZINICH & CO LIMITED**  
**REGISTERED NUMBER: 03852444**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2016**

	Note	2016 £	2015 £
<b>Non-current assets</b>			
Tangible assets	14	1,895,271	1,503,316
Investments	15	2,331,305	879,527
		<u>4,226,576</u>	<u>2,382,843</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	17	22,528,082	14,229,886
Current asset investments	18	40,238,028	32,522,231
Cash at bank and in hand	19	30,170,252	25,156,637
		<u>92,936,362</u>	<u>71,908,754</u>
Creditors: amounts falling due within one year	20	(19,411,446)	(14,951,820)
<b>Net current assets</b>		<u>73,524,916</u>	<u>56,956,934</u>
<b>Total assets less current liabilities</b>		<u>77,751,492</u>	<u>59,339,777</u>
<b>Provisions for liabilities</b>			
Deferred taxation	22	(1,787,949)	(402,292)
		<u>(1,787,949)</u>	<u>(402,292)</u>
<b>Net assets</b>		<u><u>75,963,543</u></u>	<u><u>58,937,485</u></u>
<b>Capital and reserves</b>			
Called up share capital	23	200,000	200,000
Share premium account		102,117	102,117
Revaluation reserve		6,748,064	1,448,217
Profit and loss account		68,913,362	57,187,151
		<u>75,963,543</u>	<u>58,937,485</u>

The financial statements were approved and authorised for issue by the board by:

M Clark  
Director

  
25/4/17

Date:

The notes on pages 15 to 38 form part of these financial statements.


**MUZINICH & CO LIMITED**  
**REGISTERED NUMBER: 03852444**

**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2016**

	Note	2016 £	2015 £
<b>Non-current assets</b>			
Tangible assets	14	1,687,928	1,487,337
Investments	15	2,410,460	958,682
		<u>4,098,388</u>	<u>2,446,019</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	17	22,306,186	14,152,704
Current asset investments	18	40,238,028	32,522,231
Cash at bank and in hand	19	30,048,663	25,038,541
		<u>92,592,877</u>	<u>71,713,476</u>
Creditors: amounts falling due within one year	20	(19,409,849)	(15,046,002)
<b>Net current assets</b>		<u>73,183,028</u>	<u>56,667,474</u>
<b>Total assets less current liabilities</b>		<u>77,281,416</u>	<u>59,113,493</u>
<b>Provisions for liabilities</b>			
Deferred taxation	22	(1,787,949)	(402,292)
		<u>(1,787,949)</u>	<u>(402,292)</u>
<b>Net assets</b>		<u><u>75,493,467</u></u>	<u><u>58,711,202</u></u>
<b>Capital and reserves</b>			
Called up share capital	23	200,000	200,000
Share premium account		102,117	102,117
Revaluation reserve		6,748,064	1,448,217
Profit and loss account		68,443,286	56,960,868
		<u><u>75,493,467</u></u>	<u><u>58,711,202</u></u>

The financial statements were approved and authorised for issue by the board by:

M Clark  
 Director

  
 28/12/17

Date:

The notes on pages 15 to 38 form part of these financial statements.

# MUZINICH & CO LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2016	200,000	102,117	1,448,217	57,187,151	58,937,485
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	22,116,531	22,116,531
Unrealised surplus on revaluation of current asset investments including foreign exchange impact	-	-	7,525,870	-	7,525,870
Deferred tax on unrealised surplus on revaluation of investments including foreign exchange impact	-	-	(1,484,723)	-	(1,484,723)
Unrealised surplus on revaluation of non-current asset investments including foreign exchange impact	-	-	247,898	-	247,898
Effect of tax rate changes of deferred tax on unrealised surplus	-	-	14,482	-	14,482
<b>Other comprehensive income for the year</b>	-	-	6,303,527	-	6,303,527
<b>Total comprehensive income for the year</b>	-	-	6,303,527	22,116,531	28,420,058
Dividends: Equity capital	-	-	-	(11,394,000)	(11,394,000)
Transfer to profit and loss account - realised revaluation surplus	-	-	(1,239,111)	1,239,111	-
Transfer to profit and loss account - deferred tax on realised revaluation surplus	-	-	235,431	(235,431)	-
<b>At 31 December 2016</b>	<b>200,000</b>	<b>102,117</b>	<b>6,748,064</b>	<b>68,913,362</b>	<b>75,963,543</b>

# MUZINICH & CO LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2015	200,000	102,117	854,206	55,017,887	56,174,210
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	11,959,332	11,959,332
Unrealised surplus on revaluation of current asset investments including foreign exchange impact	-	-	1,128,794	-	1,128,794
Deferred tax on unrealised surplus/(deficit) on revaluation of investments including foreign exchange impact	-	-	(223,436)	-	(223,436)
Unrealised deficit on revaluation of non-current asset investments including foreign exchange impact	-	-	(11,615)	-	(11,615)
<b>Other comprehensive income for the year</b>	-	-	893,743	-	893,743
<b>Total comprehensive income for the year</b>	-	-	893,743	11,959,332	12,853,075
Dividends: Equity capital	-	-	-	(10,089,800)	(10,089,800)
Transfer to profit and loss account - realised revaluation surplus	-	-	(374,665)	374,665	-
Transfer to profit and loss account - deferred tax on realised revaluation surplus	-	-	74,933	(74,933)	-
<b>At 31 December 2015</b>	<b>200,000</b>	<b>102,117</b>	<b>1,448,217</b>	<b>57,187,151</b>	<b>58,937,485</b>

The notes on pages 15 to 38 form part of these financial statements.

# MUZINICH & CO LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2016	200,000	102,117	1,448,217	56,960,868	58,711,202
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	21,872,738	21,872,738
Unrealised surplus on revaluation of current asset investments including foreign exchange impact	-	-	7,525,870	-	7,525,870
Deferred tax on unrealised surplus on revaluation of investments including foreign exchange impact	-	-	(1,484,723)	-	(1,484,723)
Unrealised surplus on revaluation of non-current asset investments including foreign exchange impact	-	-	247,898	-	247,898
Effect of tax rate changes of deferred tax on unrealised surplus	-	-	14,482	-	14,482
<b>Other comprehensive income for the year</b>	-	-	6,303,527	-	6,303,527
<b>Total comprehensive income for the year</b>	-	-	6,303,527	21,872,738	28,176,265
Dividends: Equity capital	-	-	-	(11,394,000)	(11,394,000)
Transfer to profit and loss account - realised revaluation surplus	-	-	(1,239,111)	1,239,111	-
Transfer to profit and loss account - deferred tax on realised revaluation surplus	-	-	235,431	(235,431)	-
<b>At 31 December 2016</b>	<b>200,000</b>	<b>102,117</b>	<b>6,748,064</b>	<b>68,443,286</b>	<b>75,493,467</b>

# MUZINICH & CO LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2015	200,000	102,117	854,206	54,904,532	56,060,855
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	11,846,404	11,846,404
Unrealised surplus on revaluation of current asset investments including foreign exchange impact	-	-	1,128,794	-	1,128,794
Deferred tax on unrealised surplus/(deficit) on revaluation of investments including foreign exchange impact	-	-	(223,436)	-	(223,436)
Unrealised deficit on revaluation of non-current asset investments including foreign exchange impact	-	-	(11,615)	-	(11,615)
<b>Other comprehensive income for the year</b>	-	-	893,743	-	893,743
<b>Total comprehensive income for the year</b>	-	-	893,743	11,846,404	12,740,147
<b>Contributions by and distributions to owners</b>					
Dividends: Equity capital	-	-	-	(10,089,800)	(10,089,800)
Transfer to profit and loss account - realised revaluation surplus	-	-	(374,665)	374,665	-
Transfer to profit and loss account - deferred tax on realised revaluation surplus	-	-	74,933	(74,933)	-
<b>At 31 December 2015</b>	<b>200,000</b>	<b>102,117</b>	<b>1,448,217</b>	<b>56,960,868</b>	<b>58,711,202</b>

The notes on pages 15 to 38 form part of these financial statements.



# MUZINICH & CO LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	22,116,531	11,959,332
<b>Adjustments for:</b>		
Amortisation of intangible assets	-	78
Depreciation of tangible assets	600,075	357,381
Taxation charge	6,191,773	3,016,393
(Increase) in debtors	(8,298,196)	(1,691,841)
Increase in creditors	1,803,661	3,322,887
Corporation tax (paid)	(3,620,392)	(4,641,194)
Investment income	(245,685)	(161,987)
Foreign exchange	(9,181)	-
<b>Net cash generated from operating activities</b>	<b>18,538,586</b>	<b>12,161,049</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(982,849)	(778,532)
Purchase of non-current asset investments	(1,203,880)	(891,142)
Purchase of current asset investments	(7,680,023)	(8,249,691)
Sale of current asset investments	7,835,259	6,041,464
Investment income	245,685	161,987
Amounts placed on fixed term deposit	(345,163)	(1,696,477)
<b>Net cash from investing activities</b>	<b>(2,130,971)</b>	<b>(5,412,391)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(11,394,000)	(10,089,800)
<b>Net cash used in financing activities</b>	<b>(11,394,000)</b>	<b>(10,089,800)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,013,615</b>	<b>(3,341,142)</b>
Cash and cash equivalents at beginning of year	25,156,637	28,497,779
<b>Cash and cash equivalents at the end of year</b>	<b>30,170,252</b>	<b>25,156,637</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	30,170,252	25,156,637
	<b>30,170,252</b>	<b>25,156,637</b>

The notes on pages 15 to 38 form part of these financial statements.

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# **MUZINICH & CO LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **1. Accounting policies**

#### **1.1 General information**

Muzinich & Co Limited ('the Company') is a limited company incorporated in the United Kingdom. The address of its registered office is 8 Hanover Street, London, W1S 1YQ.

The principal activity of the Group was that of corporate credit fund manager.

The following principal accounting policies have been applied:

#### **1.2 Basis of preparation**

The financial statements have been prepared in accordance with FRS 102 'Financial Reporting Standard Applicable in the United Kingdom and the Republic of Ireland' (FRS 102') and applicable legislation as set out in the Companies Act 2006 and Schedule 1 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008. These financial statements have been prepared under the historical costs convention, as modified for the fair value of certain financial instruments.

In preparing these financial statements, the Group and Company have not taken advantage of any disclosure exemptions, as permitted by FRS 102 paragraph 1.12.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Company's accounting policies (see note 2).

#### **1.3 Basis of consolidation**

The consolidated financial statements present the results of Muzinich & Co Limited and all of its controlled subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are eliminated in full.

The results of subsidiaries incorporated during a year are included from the effective date of incorporation.

The largest group financial statements in which Muzinich & Co Limited is consolidated are those of Muzinich & Co Inc., a company incorporated in the United States of America.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**1. Accounting policies (continued)****1.4 Going concern**

The Directors have considered going concern risk, including an assessment of uncertainty on future trading projections for a period of at least 12 months from the date of signing these financial statements. The Directors conduct this assessment, as required as a regulated Investment Manager under FCA rules, in an Internal Capital Adequacy Assessment Process ("ICAAP") document.

The Company has to retain regulatory capital as prescribed by FCA rules for regulated Investment Managers and has to report on its regulatory capital position bi-annually to the FCA.

As part of the ICAAP assessment, the Directors stress test future trading projections simulating for extreme financial market conditions and the resulting impact on the Group's regulatory capital headroom.

Based on this assessment, the Directors have a reasonable expectation that the Group and Company can continue to operate for the foreseeable future, even in extreme financial market conditions, and that it is appropriate, therefore, to prepare these financial statements on a going concern basis.

**1.5 Revenue**

Revenue comprises the fair value of the consideration received or receivable for the provision of investment management services. Revenue is shown net of any value added tax, rebates and discounts.

Management fees are recognised in the period in which the service is performed and calculated as a percentage of funds managed in accordance with management agreements.

Performance fees, typically calculated as a percentage of the appreciation in the net asset value of a fund above a defined hurdle, are recognised when the fee amount can be estimated reliably and it is probable that the fee will be receivable. Performance fees are typically recognised at the end of the relevant reporting period of the fund.

**1.6 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged on a straight line basis.

The estimated useful lives are as follows:

Computer software	3 years
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This has been deemed to be the most appropriate method by the directors on calculation of the period of expected benefit to be received by the assets.

The amortisation expense is included in administration expenses.

# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 1. Accounting policies (continued)

#### 1.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repair and maintenance costs are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives are as follows:

Leasehold improvements	The shorter of the lease term and 7 years
Fixtures & fittings	3 years
Office & computer equipment	3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the Consolidated Profit and Loss account.

#### 1.8 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Profit and Loss Account on a straight line basis over the lease term.

Operating lease incentives are recognised as a reduction to expenses over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

#### 1.9 Operating leases: the Group as lessor

Rental income from operating leases is credited to the Consolidated Profit and Loss Account on a straight line basis over the term of the relevant lease.

Operating lease incentives are recognised as a reduction to income over the lease term on a straight line basis, unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 1. Accounting policies (continued)

#### 1.10 Cash and cash equivalents

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

#### 1.11 Financial instruments

The Group has adopted IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") as permitted by FRS 102.

The Group enters into only basic financial instrument transactions in its operating activities, which result in basic debt instruments, like trade and other accounts receivable and payable.

The carrying amount of trade and other receivables is estimated as the present value of future cash flows less impairment losses.

Trade and other payables are recognised initially at fair value and subsequently at amortised cost.

In its treasury activities, the Group enters in to other financial instrument transactions. To date, such treasury transactions have been limited to investments in fixed term bank deposits and managed funds.

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in fixed term bank deposits are initially measured at cost (which is equal to fair value at inception) and are subsequently measured at amortised cost using the effective interest method.

Investments in managed funds are accounted for in accordance with IAS 39 as available for sale financial instruments. The investments are initially measured at cost (which is equal to fair value at inception) and are subsequently measured at fair value as derived from their quoted price, or fund net asset valuation ("NAV"). Fair value gains and losses from revaluation, including foreign currency gains and losses, are recorded in a revaluation reserve as other comprehensive income. Once the investment is sold, the realised fair value gains and losses, including foreign currency gains and losses, are transferred to the Profit and Loss Account. If there is an indication that a fair value loss is permanent during the holding period, the investment is impaired and the impairment charge is recorded in the Consolidated Profit and Loss Account. Any dividend or distribution income received during the investment holding period is recognised as investment income in the Consolidated Profit and Loss Account.

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

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**1. Accounting policies (continued)****1.12 Foreign currency translation****Functional and presentation currency**

These consolidated and company financial statements have been presented in Pounds Sterling as this is the Group and Company's functional currency, being the primary currency in which the Group and Company carries out its business.

The assets and liabilities of foreign operations are translated into Sterling at the exchange rate ruling at the balance sheet date. The turnover and expenses of foreign operations are translated into Sterling at the average exchange rate for the year or period.

**Transactions and balances**

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into Sterling at the rate ruling on the date of the transaction.

Exchange gains and losses on available for sale financial instruments are recognised in a revaluation reserve as other comprehensive income until the investments are sold and the gain or loss is transferred to the Profit and Loss Account. All other exchange gains and losses are recognised directly in the Consolidated Profit and Loss Account.

**1.13 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**1.14 Pensions**

The Group operates defined contribution plans for certain of its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

**1.15 Provisions**

A provision is recognised when there is a probable legal or constructive obligation as a result of a past event and a reliable estimate can be made of the outflow of resources that will be required to settle the obligation. The outflow is the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

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# MUZINICH & CO LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1. Accounting policies (continued)

#### 1.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

In applying the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The Directors' judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the Group's accounting policies**

None of the accounting policy judgements applied in the year are considered to be critical. In an extreme financial market event that substantially impacted the liquidity of the funds the Group manages and invests in, the recoverability of the Group's fee debtors and investment holdings could be impaired. There have, however, been no indicators of impairment identified in the year.

**Key sources of estimation uncertainty**

The key sources of estimation uncertainty, that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**i) Determining residual values and useful economic lives of tangible fixed assets**

The Group depreciates tangible fixed assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and is therefore an area of estimation uncertainty. The actual lives of assets can vary depending on a variety of factors, including technological innovation and the regularity of maintenance.

Judgement is also applied by management when determining the residual values of tangible fixed assets. In determining residual values, management aim to assess the amount that the Group would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

**ii) Valuation of investment holdings**

The Group's investments in managed funds are held at fair value. The fair value of these funds can fluctuate significantly, particularly in extreme financial market conditions. The fair value of the holdings could vary significantly within the next financial year, making this an area of estimation uncertainty. The managed funds are valued at market value.

Some of the Group's investment holdings are in closed-ended funds with limited liquidity, where the Group derives fair value from the fund's NAV. The methodology applied by such funds in determining their NAV requires certain estimates and assumptions to be made. As such, there are additional estimation uncertainties for the Group in the valuation of these investment holdings.



# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 3. Analysis of revenue

The whole of the revenue is attributable to the principal activity of the Group.

The geographical source of all of the Group's turnover is the UK, as the company Muzinich & Co Limited is the appointed investment manager of all of the Group's fund management mandates.

Due to the scale and nature of subscriptions and redemptions in the Group's UCITS funds, an analysis of turnover by geographic destination is not possible.

### 4. Other operating income

	2016 £	2015 £
Rents receivable	60,866	-
	<u>60,866</u>	<u>-</u>

### 5. Operating profit

The operating profit is stated after charging or crediting the following items:

	2016 £	2015 £
Depreciation of tangible fixed assets	600,075	357,382
Amortisation of intangible assets, including goodwill	-	78
Exchange rate gains	(3,819,779)	(908,865)
Defined contribution pension cost	370,084	230,592
Operating lease rentals	1,158,753	678,996

### 6. Auditor' Remuneration

	2016 £	2015 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	34,000	30,000
Assurance services	2,250	2,250
Taxation compliance services	5,250	5,250
Other Services relating to taxation	12,000	36,000
All other services	4,400	14,000
	<u>57,900</u>	<u>87,500</u>

# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 7. Employees

Staff costs, including Directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	20,259,322	13,530,409
Social security costs	3,093,588	2,140,569
Cost of defined contribution scheme	370,084	230,592
	<u>23,722,994</u>	<u>15,901,570</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2016 No.	2015 No.
Marketing and Client Service	39	30
Investment	25	26
Operations and Administrative	21	13
	<u>85</u>	<u>69</u>

### 8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	1,838,224	1,254,912
Company contributions to defined contribution pension schemes	16,800	10,500
	<u>1,855,024</u>	<u>1,265,412</u>

The highest paid Director received remuneration of £1,167,062 (2015 - £1,074,753).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £10,500 (2015 - £10,500).

The number of directors to whom benefits were accrued under defined contribution pension schemes was 2 (2015 - 1).

Management do not consider there to be any key management personnel, as defined in FRS 102 Section 33 *Related Party Disclosures*, other than the Directors.

# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 9. Investment income

	2016 £	2015 £
Distribution income from non-current asset investments	40,564	-
Distribution income from current asset investments	188,135	161,987
Interest income from fixed term deposits	16,715	-
Other interest	270	-
	<u>245,684</u>	<u>161,987</u>

# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 10. Taxation

	2016 £	2015 £
<b>Corporation tax</b>		
Current tax on profits for the year	5,990,008	3,114,473
Adjustments in respect of previous periods	59,929	(82,799)
	<u>6,049,937</u>	<u>3,031,674</u>
Double taxation relief	(237,919)	(143,357)
	<u>5,812,018</u>	<u>2,888,317</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	464,339	212,105
Foreign tax in respect of prior periods	-	34,777
	<u>464,339</u>	<u>246,882</u>
<b>Total current tax</b>	<u>6,276,357</u>	<u>3,135,199</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(74,648)	(110,170)
Effect of tax rate change on opening balance	(9,936)	(8,386)
Adjustment in respect of previous periods	-	(250)
<b>Total deferred tax</b>	<u>(84,584)</u>	<u>(118,806)</u>
<b>Taxation on profit on ordinary activities</b>	<u>6,191,773</u>	<u>3,016,393</u>

Deferred tax on the unrealised surplus / (deficit) on revaluation of listed managed fund investments, including foreign exchange impact has been included in the consolidated statement of total comprehensive income amounting to £1,484,723 (2015 - £223,436).

## MUZINICH & CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

#### 10. Taxation (continued)

##### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - lower than) the standard average rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	28,308,304	14,975,725
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	5,661,661	3,032,584
Effects of:		
Expenses not deductible for tax purposes	317,848	73,560
Capital allowances for year in excess of depreciation	-	(79,678)
Fixed asset differences	46,114	25,683
Short term timing difference leading to an decrease in taxation	(121,426)	(39,456)
Effect of tax rate changes	(10,255)	(8,386)
Adjustment to tax charge in respect of previous years	59,929	3,118
Effect of foreign taxes	223,183	29,703
Tax credits	(37,627)	(20,735)
Other differences leading to an increase (decrease) in the tax charge	52,346	-
<b>Total tax charge for the year</b>	<b>6,191,773</b>	<b>3,016,393</b>

##### Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) was substantively enacted in October 2015, and has therefore been considered when calculating deferred tax at the reporting date. A reduction in the UK Corporation rate to 17% (effective from 1 April 2020) has not yet been substantively enacted and therefore has not been considered when calculating deferred tax.

Deferred tax balances at the reporting date are measured at 17% (2015 - 20%) on accelerated capital allowances and other timing differences. Deferred tax balances at the reporting date are measured at 19% (2015 - 20%) for unrealised gains on investments in managed funds.

# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 11. Dividends

	2016 £	2015 £
Dividend on ordinary share capital	11,394,000	10,089,800
	<u>11,394,000</u>	<u>10,089,800</u>

Dividend payment of \$75 (2015: \$75) per ordinary share, totalling \$15,000,000 (2015: \$15,000,000).

### 12. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements. The profit after tax of the parent Company for the year was £21,872,737 (2015 - £11,846,404).

### 13. Intangible assets

#### Group

	Computer software £
<b>Cost</b>	
At 1 January 2016	87,103
Disposals	(87,103)
At 31 December 2016	<u>87,103</u>
At 1 January 2016	87,103
On disposals	(87,103)
At 31 December 2016	<u>-</u>
<b>Net book value</b>	
At 31 December 2016	<u>-</u>
At 31 December 2015	<u>-</u>

# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 13. Intangible assets (continued)

#### Company

	Computer software £
<b>Cost</b>	
At 1 January 2016	87,103
Disposals	(87,103)
At 31 December 2016	87,103
At 1 January 2016	87,103
On disposals	(87,103)
At 31 December 2016	-
<b>Net book value</b>	
At 31 December 2016	-
At 31 December 2015	-

# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 14. Tangible fixed assets

#### Group

	Leasehold Improvements £	Fixtures & fittings £	Office & computer equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2016	1,123,984	678,931	616,194	2,419,109
Additions	461,825	323,291	197,733	982,849
Disposals	(120,088)	(113,090)	(212,727)	(445,905)
Exchange adjustments	4,725	2,985	1,568	9,278
At 31 December 2016	1,470,446	892,117	602,768	2,965,331
<b>Depreciation</b>				
At 1 January 2016	229,913	310,973	374,907	915,793
Charge for the period on owned assets	268,040	160,709	171,326	600,075
Disposals	(120,088)	(113,090)	(212,727)	(445,905)
Exchange adjustments	-	(74)	171	97
At 31 December 2016	377,865	358,518	333,677	1,070,060
<b>Net book value</b>				
At 31 December 2016	1,092,581	533,599	269,091	1,895,271
At 31 December 2015	894,071	367,958	241,287	1,503,316



# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 14. Tangible fixed assets (continued)

#### Company

	Leasehold Improvements £	Fixtures & fittings £	Office & computer equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2016	1,123,119	662,502	605,854	2,391,475
Additions	362,150	231,487	169,311	762,948
Disposals	(120,088)	(113,090)	(212,727)	(445,905)
At 31 December 2016	1,365,181	780,899	562,438	2,708,518
<b>Depreciation</b>				
At 1 January 2016	229,913	305,505	368,720	904,138
Charge for the period on owned assets	257,806	143,519	161,032	562,357
Disposals	(120,088)	(113,090)	(212,727)	(445,905)
At 31 December 2016	367,631	335,934	317,025	1,020,590
<b>Net book value</b>				
At 31 December 2016	997,550	444,965	245,413	1,687,928
At 31 December 2015	893,206	356,997	237,134	1,487,337

# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 15. Non-current asset investments

#### Group

	Investments in managed funds £
<b>Cost or valuation</b>	
At 1 January 2016	879,527
Additions	1,336,131
Equalisation	(132,251)
Revaluations	247,898
At 31 December 2016	2,331,305
<b>Net book value</b>	
At 31 December 2016	2,331,305

#### Company

	Investments in subsidiary companies £	Investments in managed funds £	Total £
<b>Cost or valuation</b>			
At 1 January 2016	79,155	879,527	958,682
Additions	-	1,336,131	1,336,131
Equalisation	-	(132,251)	(132,251)
Revaluations	-	247,898	247,898
At 31 December 2016	79,155	2,331,305	2,410,460
<b>Net book value</b>			
At 31 December 2016	79,155	2,331,305	2,410,460
At 31 December 2015	79,155	879,527	958,682

# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 16. Subsidiary undertakings

In 2005, the company incorporated a subsidiary in Germany, Muzinich (Deutschland) GmbH. The company owns 100% of the ordinary shares in issuance. The company's investment of €25,000 (translated as £17,500) was written off in 2013, when the trade and assets of Muzinich (Deutschland) GmbH were transferred to the German branch of the company, and Muzinich (Deutschland) GmbH subsequently entered a liquidation process.

In 2013, the company incorporated a subsidiary in Switzerland, Muzinich & Co. (Switzerland) AG. The company owns 100% of the ordinary shares in issuance. The company's investment of CHF 100,000 (translated as £68,490) is stated at cost.

In 2014, the company incorporated a subsidiary in Luxembourg, Muzinich European Private Debt SARL. The company owns 100% of the ordinary shares in issuance. The company's investment of €12,500 (translated as £10,665) is stated at cost.

During 2016 the company incorporated a subsidiary in Singapore. The company owns 100% of the ordinary share capital currently in issuance.

The aggregate of the share capital and reserves as at 31 December 2016 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Muzinich & Co (Switzerland) AG	428,228	149,795
Muzinich European Private Debt SARL	77,787	30,227
Muzinich (Deutschland) GmbH	44,001	11,343
Muzinich & Co. (Singapore) PTE Ltd	12,262	12,262

### 17. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	19,264,425	11,520,875	19,264,425	11,520,875
Amounts owed by group undertakings	750,327	977,747	1,133,707	1,651,898
Other debtors	1,331,072	999,051	784,540	274,513
Prepayments and accrued income	540,068	334,776	516,672	322,575
VAT recoverable	642,190	397,437	606,842	382,844
	<u>22,528,082</u>	<u>14,229,886</u>	<u>22,306,186</u>	<u>14,152,705</u>

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

# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 18. Current asset investments

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Investments	38,196,388	30,825,754	38,196,388	30,825,754
Fixed term deposit	2,041,640	1,696,477	2,041,640	1,696,477
	<u>40,238,028</u>	<u>32,522,231</u>	<u>40,238,028</u>	<u>32,522,231</u>

### 19. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	30,170,252	25,156,637	30,048,663	25,038,541
	<u>30,170,252</u>	<u>25,156,637</u>	<u>30,048,663</u>	<u>25,038,541</u>

### 20. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade creditors	1,637,855	863,642	1,572,167	826,567
Amounts owed to group undertakings	5,670,975	7,072,161	6,247,766	7,555,194
Corporation tax	4,145,438	1,489,473	4,059,844	1,434,796
Other creditors	463,007	351,974	448,225	327,301
Accruals and deferred income	7,494,171	5,174,570	7,081,847	4,902,144
	<u>19,411,446</u>	<u>14,951,820</u>	<u>19,409,849</u>	<u>15,046,002</u>

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

# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 21. Financial instruments

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
<b>Financial assets</b>				
Financial assets that are available for sale	40,527,693	31,705,281	40,527,693	31,705,281
Financial assets that are debt instruments measured at amortised cost	21,345,824	13,497,673	21,182,671	13,447,286
Cash and cash equivalents	30,170,252	25,156,637	30,048,663	25,038,541
Fixed term deposit	2,041,640	1,696,477	2,041,640	1,696,477
	<u>94,085,409</u>	<u>72,056,068</u>	<u>93,800,667</u>	<u>71,887,585</u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	15,266,008	(13,462,347)	(15,350,005)	(13,611,206)
	<u>15,266,008</u>	<u>(13,462,347)</u>	<u>(15,350,005)</u>	<u>(13,611,206)</u>

Financial assets that are available for sale include investments in managed funds.

Financial assets measured at amortised cost comprise trade debtors, amounts owed to group undertakings, and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts due to group undertakings, accruals and other creditors

### 22. Deferred taxation

#### Group

	2016 £	2015 £
At beginning of year	(402,292)	(297,662)
Charged to other comprehensive income	(1,470,241)	(223,436)
Utilised in year	84,584	118,806
<b>At end of year</b>	<u>(1,787,949)</u>	<u>(402,292)</u>

# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 22. Deferred taxation (continued)

#### Company

	2016 £	2015 £
At beginning of year	(402,292)	(297,662)
Charged to other comprehensive income	(1,470,241)	(223,436)
Utilised in year	84,584	118,806
<b>At end of year</b>	<b>(1,787,949)</b>	<b>(402,292)</b>

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Accelerated capital allowances	(94,272)	(118,203)	(94,272)	(118,203)
Other timing differences	(208,954)	(60,653)	(208,954)	(60,653)
Unrealised gains	(1,484,723)	(223,436)	(1,484,723)	(223,436)
	<b>(1,787,949)</b>	<b>(402,292)</b>	<b>(1,787,949)</b>	<b>(402,292)</b>

### 23. Share capital

	2016 £	2015 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
200,000 Ordinary shares of £1 each	200,000	200,000

Ordinary shares have full voting rights and rights to distributions.

# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 24. Capital commitments

At 31 December 2016 the Group and Company had outstanding commitments in relation to non-current asset investments as follows:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Muzinich UK and NW Private Debt fund	846,143	1,434,100	846,143	1,434,100
Muzinich Italian Private Debt fund	1,356,159	759,687	1,356,159	759,687
Muzinich Iberian Private Debt fund	621,695	536,830	621,695	536,830
Muzinich French Private Debt fund	-	1,120,255	-	1,120,255
	<u>2,823,997</u>	<u>3,850,872</u>	<u>2,823,997</u>	<u>3,850,872</u>

### 25. Commitments under operating leases as lessee

At 31 December 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Not later than 1 year	1,397,804	868,853	1,258,825	803,451
Later than 1 year and not later than 5 years	4,602,577	4,874,562	4,104,570	4,401,657
Later than 5 years	1,656,250	2,536,596	1,656,250	2,467,631
	<u>7,656,631</u>	<u>8,280,011</u>	<u>7,019,645</u>	<u>7,672,739</u>

Lease payments recognised as an expense in the year total £1,158,753 (2015: £678,996).

# MUZINICH & CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

### 26. Commitments under operating leases as lessor

At 31 December 2016 the Group and the Company had future minimum lease payments receivable under non-cancellable operating leases as follows:

	Group 2016 £	Company 2016 £
Not later than 1 year	199,104	199,104
Later than 1 year and not later than 5 years	298,656	298,656
	<u>497,760</u>	<u>497,760</u>

Lease arrangement was entered into for a period of 3 years with an option for renewal after 18 months at the option of the lessee.

Lease payments recognised as income in the year total £60,866 (2015: £nil).

### 27. Pension commitments

The Group operates defined contribution pension schemes. The pension cost charge represents contributions payable by the Group to the scheme and amounted to £370,084 (2015 - £230,592). At 31 December 2016 contributions amounting to £84,683 were payable to the scheme (2015 - £21,315), this has been included in other creditors.

### 28. Related party transactions

During the year, the Group received operational and managerial services from the ultimate parent company, Muzinich & Co Inc., amounting to £8,192,488 (2015 - £9,681,324) and received investment and marketing services amounting to £19,718,427 (2015 - £17,090,131). At the year end, the net balance due to Muzinich & Co Inc. was £5,670,975 (2015 - £7,072,161).

During the year, the Group paid service fees to Muzinich & Co (Ireland) Limited, a fellow group subsidiary, of £355,617 (2015 - £296,273). At year end, the translated net balance due from Muzinich & Co (Ireland) Limited was £750,327 (2015 - £977,747).

All of the Group's investments in managed funds relate to funds managed by the Group as part of its own fund product offering. Whilst these funds are offered as products by the Group, they are administered by an independent firm.

The Group holds £725,375 (2015 - £705,465) of debtors owed by the Muzinich European Private Debt AIF Funds in relation to fund formation and operating costs.

The Group has taken advantage of the exemption conferred by Section 33 *Related Party Transactions* not to disclose transactions with wholly owned group companies.



<b>MUZINICH &amp; CO LIMITED</b>
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**NOTES TO THE FINANCIAL STATEMENTS**  
***FOR THE YEAR ENDED 31 DECEMBER 2016***

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**29. Controlling party**

The immediate and ultimate parent undertaking is Muzinich & Co Inc., a company incorporated in the United States of America.