

Muzinich & Co Limited

Registered number: 03852444

Directors' report and financial statements

For the year ended 31 December 2014

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MUZINICH & CO LIMITED

COMPANY INFORMATION

Directors

G M Muzinich
M Clark
M Ludwig
T Greil Castro
A M Romanovsky

Registered number

03852444

Registered office

8 Hanover Street
London
W1S 1YQ

Independent auditors

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 2014

Introduction

The directors present their strategic report for the year ended 31 December 2014.

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 SCA-SICAV-SIF private debt funds and a range of separately managed and sub-advisory investment contracts for institutional clients.

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

In 2014, the company incorporated a subsidiary in Luxembourg, Muzinich European Private Debt SARL, which acts as managing General Partner of the Muzinich SCA-SICAV-SIF private debt funds. As detailed above, the company is the appointed investment manager of these private debt funds.

The directors believe that the group 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. In 2014, the group notably launched its Italian and Iberian private debt funds. The group expects to launch UK, French and Pan-European private debt funds in the near future.

Principal risks and uncertainties

The business has a long history of delivering 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. The directors are satisfied with the group's financials for the year ended 31 December 2014.

This report was approved by the board on 21 April 2015 and signed on its behalf.

M Clark
Director



MUZINICH & CO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors present their report and the financial statements for the year ended 31 December 2014.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 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 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

The profit for the year, after taxation, amounted to £22,078,783 (2013 - £18,026,263).

Directors

The Directors who served during the year were:

G M Muzinich
M Clark
M Ludwig
T Greil Castro
A M Romanovsky

Charitable contributions

The company made charitable donations of £411 (2013: £NIL) during the year.

Events since the end of the year

On 25 March 2015, the directors proposed and approved a dividend of \$75 per share amounting to \$15,000,000.

Future developments

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

MUZINICH & CO LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

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 auditors

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

- so far as that Director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- that 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 auditors are aware of that information.

Auditors

Under section 487(2) of the Companies Act 2006, Mazars LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 21 April 2015 and signed on its behalf.



M Clark
Director

MUZINICH & CO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MUZINICH & CO LIMITED

We have audited the financial statements of Muzinich & Co Limited for the year ended 31 December 2014 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses 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).

Respective responsibilities of Directors and auditors

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 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 member those matters we are required to state to them in an Auditors' 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 as a body 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.

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 parent Company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MUZINICH & CO LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MUZINICH & CO LIMITED

Matters on which we are required to report by exception

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

21 April 2015

MUZINICH & CO LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
Turnover	1,2	47,941,766	41,771,594
Administrative expenses		(19,852,854)	(18,208,173)
		<hr/>	<hr/>
Operating profit	3	28,088,912	23,563,421
Income from current asset investments		183,366	29,747
		<hr/>	<hr/>
Profit on ordinary activities before taxation		28,272,278	23,593,168
Tax on profit on ordinary activities	7	(6,193,495)	(5,566,905)
		<hr/>	<hr/>
Profit for the financial year	15	<u>22,078,783</u>	<u>18,026,263</u>

All amounts relate to continuing operations.

The notes on pages 11 to 24 form part of these financial statements.

MUZINICH & CO LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £	2013 £
Profit for the financial year	22,078,783	18,026,263
Gain/(loss) on revaluation of current asset investments including foreign exchange impact	983,429	(126,562)
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	<u>23,062,212</u>	<u>17,899,701</u>

The notes on pages 11 to 24 form part of these financial statements.

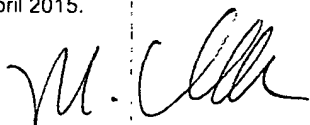
MUZINICH & CO LIMITED

Registered number: 03852444

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014**

	Note	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	8		1,082,243		222,445
Current assets					
Debtors	10	12,447,907		10,512,182	
Investments	11	27,488,733		16,990,335	
Cash at bank and in hand		28,587,915		14,374,222	
		<u>68,524,555</u>		<u>41,876,739</u>	
Creditors: amounts falling due within one year	12	<u>(13,134,926)</u>		<u>(8,773,634)</u>	
Net current assets			55,389,629		33,103,105
Total assets less current liabilities			<u>56,471,872</u>		<u>33,325,550</u>
Provisions for liabilities					
Deferred tax	13		(84,110)		-
Net assets			<u>56,387,762</u>		<u>33,325,550</u>
Capital and reserves					
Share capital	14		200,000		200,000
Share premium account	15		102,117		102,117
Revaluation reserve	15		1,067,758		170,367
Profit and loss account	15		<u>55,017,887</u>		<u>32,853,066</u>
Shareholders' funds	16		<u>56,387,762</u>		<u>33,325,550</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 April 2015.



M Clark
Director

The notes on pages 11 to 24 form part of these financial statements.

MUZINICH & CO LIMITED

Registered number: 03852444

**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2014**

	Note	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	8		1,062,863		222,445
Investments	9		79,155		68,490
			<u>1,142,018</u>		<u>290,935</u>
Current assets					
Debtors	10	12,330,912		10,398,759	
Investments	11	27,488,733		16,990,335	
Cash at bank and in hand		28,483,823		14,323,233	
		<u>68,303,468</u>		<u>41,712,327</u>	
Creditors: amounts falling due within one year	12	(13,086,969)		(8,724,828)	
Net current assets			<u>55,216,499</u>		<u>32,987,499</u>
Total assets less current liabilities			<u>56,358,517</u>		<u>33,278,434</u>
Provisions for liabilities					
Deferred tax	13		(84,110)		-
Net assets			<u>56,274,407</u>		<u>33,278,434</u>
Capital and reserves					
Called up share capital	14		200,000		200,000
Share premium account	15		102,117		102,117
Revaluation reserve	15		1,067,758		170,367
Profit and loss account	15		54,904,532		32,805,950
Shareholders' funds	16		<u>56,274,407</u>		<u>33,278,434</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 April 2015.

M Clark
Director



The notes on pages 11 to 24 form part of these financial statements.

MUZINICH & CO LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
Net cash flow from operating activities	17	29,987,934	27,418,867
Returns on investments and servicing of finance	18	183,366	29,747
Taxation		(5,356,933)	(5,766,927)
Capital expenditure and financial investment	18	(1,085,705)	(98,943)
Cash inflow before management of liquid resources		23,728,662	21,582,744
Management of liquid resources	18	(9,514,969)	(11,854,215)
Increase in cash in the year		14,213,693	9,728,529

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £	2013 £
Increase in cash in the year	14,213,693	9,728,529
Cash outflow from decrease in liquid resources	9,514,969	11,854,215
Change in net debt resulting from cash flows	23,728,662	21,582,744
Other non-cash changes	983,429	(126,561)
Movement in net debt in the year	24,712,091	21,456,183
Net funds at 1 January	31,364,557	9,908,374
Net funds at 31 December	56,076,648	31,364,557

The notes on pages 11 to 24 form part of these financial statements.

MUZINICH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of current asset investments and in accordance with applicable accounting standards.

1.2 Basis of consolidation

The financial statements consolidate the accounts of Muzinich & Co Limited and all of its subsidiary undertakings ('subsidiaries').

The results of subsidiaries acquired or incorporated during the year are included from the effective date of acquisition or incorporation.

1.3 Turnover

Turnover comprises the fair value of the consideration received or receivable for the provision of investment management services. Turnover 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.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	6.5 years
Fixtures & fittings	-	3 years
Office & computer equipment	-	3 years
Computer software	-	3 years

1.5 Investments

Investments held as fixed assets represent investments in subsidiaries and are stated at cost less provision for impairment.

Investments held as current assets are stated at market value.

1.6 Operating leases

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

MUZINICH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. Accounting Policies (continued)

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is recognised in respect of the retained earnings of an overseas subsidiary, associate or joint venture only to the extent that there is a commitment to remit the earnings.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.8 Foreign currencies

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 current asset investments are recognised in the Statement of Total Recognised Gains and Losses until the investments are sold and the gain or loss is realised and recognised in the Profit and Loss Account. All other exchange gains and losses are recognised directly in the Profit and Loss Account.

1.9 Pensions

The Company operates defined contribution pension schemes and the pension charge represents the amounts payable by the Company to the funds in respect of the year.

2. Turnover

The whole of the turnover 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.

Turnover represents net sales of services, excluding value added tax (see Note 1.3).

MUZINICH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

3. Operating profit

The operating profit is stated after charging/(crediting):

	2014 £	2013 £
Depreciation of tangible fixed assets:		
- owned by the group	225,907	80,338
Operating lease rentals:		
- other	28,011	26,641
- land and buildings	519,689	267,951
Difference on foreign exchange	(1,678,595)	774,232

4. Auditors' remuneration

	2014 £	2013 £
Fees payable to the group's auditor for the audit of the group's annual accounts	30,000	19,500
Fees payable to the group's auditor in respect of:		
Audit-related assurance services	10,000	2,000
Taxation compliance services	17,950	4,125
All taxation advisory services not included above	44,000	-
All other non-audit services not included above	38,000	37,684

5. Staff costs

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

	2014 £	2013 £
Wages and salaries	10,236,026	7,949,179
Social security costs	1,603,897	1,169,627
Other pension costs	160,691	85,521
	12,000,614	9,204,327

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

	2014 No.	2013 No.
Marketing and Client Service	24	17
Investment	12	9
Operations and Administrative	11	9
	47	35

MUZINICH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

6. Directors' remuneration

	2014 £	2013 £
Remuneration	1,411,000	911,000
Group pension contributions to defined contribution pension schemes	10,500	10,500

During the year retirement benefits were accruing to 1 Director (2013 - 1) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £990,000 (2013 - £900,000).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £10,500 (2013 - £10,500).

7. Taxation

	2014 £	2013 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	5,882,819	5,477,480
Adjustments in respect of prior periods	31,945	(1,564)
Tax credit on exempt dividends	14,858	10,732
	5,929,622	5,486,648
Double taxation relief	(99,504)	(36,802)
	5,830,118	5,449,846
Foreign tax on income for the year	175,994	66,311
Foreign tax adjustments in respect of prior periods	9	-
Total current tax	6,006,121	5,516,157
Deferred tax		
Origination and reversal of timing differences	187,374	30,659
Effect of the change in tax rate on opening position	-	20,089
Total deferred tax (see note 13)	187,374	50,748
Tax on profit on ordinary activities	6,193,495	5,566,905

MUZINICH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013 - higher than) the average standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%) due to the following factors:

	2014 £	2013 £
Profit on ordinary activities before tax	28,272,278	23,593,168
Profit on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%)	6,075,713	5,495,489
Effects of:		
Accelerated capital allowances	(74,717)	(11,581)
Fixed asset differences	11,279	2,717
Expenses not deductible for tax purposes	42,754	43,927
Other short term timing differences	(116,940)	(10,462)
Foreign tax credits	55,306	15,915
Adjustments to brought forward values	(2,151)	-
Income not taxable	-	(4,068)
Adjustments to tax charge in respect of previous periods	31,954	(1,564)
Tax credits	(17,077)	(14,216)
Current tax charge for the year (see note above)	6,006,121	5,516,157

Factors that may affect future tax charges

The main rate of corporation tax in the UK changed from 23% to 21% on 1 April 2014 and changed from 21% to 20% on 1 April 2015.

MUZINICH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

8. Tangible fixed assets

Group	Leasehold improvements £	Fixtures & fittings £	Office & computer equipment £	Computer software £	Total £
Cost or valuation					
At 1 January 2014	120,088	277,029	238,843	87,103	723,063
Additions	584,711	301,099	199,895	-	1,085,705
Disposals	(77,218)	-	-	-	(77,218)
At 31 December 2014	627,581	578,128	438,738	87,103	1,731,550
Depreciation					
At 1 January 2014	69,719	134,704	209,547	86,648	500,618
Charge for the year	96,745	71,580	57,205	377	225,907
On disposals	(77,218)	-	-	-	(77,218)
At 31 December 2014	89,246	206,284	266,752	87,025	649,307
Net book value					
At 31 December 2014	538,335	371,844	171,986	78	1,082,243
At 31 December 2013	50,369	142,325	29,296	455	222,445

Company	Leasehold improvements £	Fixtures & fittings £	Office & computer equipment £	Computer software £	Total £
Cost or valuation					
At 1 January 2014	120,088	277,029	238,843	87,103	723,063
Additions	583,846	286,814	190,609	-	1,061,269
Disposals	(77,218)	-	-	-	(77,218)
At 31 December 2014	626,716	563,843	429,452	87,103	1,707,114
Depreciation					
At 1 January 2014	69,719	134,704	209,547	86,648	500,618
Charge for the year	96,745	69,385	54,344	377	220,851
On disposals	(77,218)	-	-	-	(77,218)
At 31 December 2014	89,246	204,089	263,891	87,025	644,251
Net book value					
At 31 December 2014	537,470	359,754	165,561	78	1,062,863
At 31 December 2013	50,369	142,325	29,296	455	222,445

MUZINICH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

9. Fixed asset investments

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2014	68,490
Additions	10,665
At 31 December 2014	79,155
Net book value	
At 31 December 2014	79,155
At 31 December 2013	68,490

In 2005, the company incorporated a subsidiary in Germany, Muzinich (Deutschland) GmbH. The company owns 100% of the 25,000 €1 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 100,000 CHF 1 ordinary shares in issuance. The company's investment of CHF 100,000 (translated as £68,490) is stated at cost. The Swiss subsidiary office acts as a client service manager for the Group.

In 2014, the company incorporated a subsidiary in Luxembourg, Muzinich European Private Debt SARL. The company owns 100% of the 12,500 €1 ordinary shares in issuance. The company's investment of €12,500 (translated as £10,665) is stated at cost. The Luxembourg subsidiary acts as managing General Partner of Muzinich European Private Debt Fund, SCA-SICAV-SIF, which is the fund vehicle for the Group's private debt funds.

10. Debtors

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade debtors	10,206,968	9,934,226	10,206,968	9,934,226
Amounts owed by group undertakings	1,461,513	138,481	1,670,535	107,320
VAT recoverable	256,800	30,003	243,939	25,885
Other debtors	392,360	222,644	83,731	144,570
Prepayments and accrued income	130,266	83,564	125,739	83,494
Deferred tax asset (see note 13)	-	103,264	-	103,264
	12,447,907	10,512,182	12,330,912	10,398,759

MUZINICH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

11. Current asset investments

	<u>Group</u>		<u>Company</u>	
	2014	2013	2014	2013
	£	£	£	£
Listed investments	27,488,733	16,990,335	27,488,733	16,990,335

Group listed investments

The market value of the listed investments at 31 December 2014 was £27,488,733 (2013: £16,990,335).

Company listed investments

The market value of the listed investments at 31 December 2014 was £27,488,733 (2013: £16,990,335).

12. Creditors: Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	2014	2013	2014	2013
	£	£	£	£
Trade creditors	493,641	311,096	399,132	306,405
Amounts owed to group undertakings	5,278,696	2,028,218	5,530,095	2,028,218
Corporation tax	3,020,072	2,370,884	2,998,022	2,365,678
Other creditors	296,908	73,323	262,276	34,414
Accruals and deferred income	4,045,609	3,990,113	3,897,444	3,990,113
	<u>13,134,926</u>	<u>8,773,634</u>	<u>13,086,969</u>	<u>8,724,828</u>

13. Deferred taxation

	<u>Group</u>		<u>Company</u>	
	2014	2013	2014	2013
	£	£	£	£
At beginning of year	103,264	154,012	103,264	154,012
Current year movement	(187,374)	(50,748)	(187,374)	(50,748)
At end of year	<u>(84,110)</u>	<u>103,264</u>	<u>(84,110)</u>	<u>103,264</u>

MUZINICH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

13. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Accelerated capital allowances	92,311	22,784	92,311	22,784
Other timing differences	(8,201)	(126,048)	(8,201)	(126,048)
	84,110	(103,264)	84,110	(103,264)

14. Share capital

	2014	2013
	£	£
Allotted, called up and fully paid		
200,000 Ordinary shares of £1 each	200,000	200,000

15. Reserves

Group	Share premium account	Revaluation reserve	Profit and loss account
	£	£	£
At 1 January 2014	102,117	170,367	32,853,066
Profit / (loss) for the year	-	-	22,078,783
Surplus / (deficit) on revaluation of current asset investments	-	983,429	-
Transfer between revaluation reserve and profit and loss account	-	(86,038)	86,038
At 31 December 2014	102,117	1,067,758	55,017,887

The movement on revaluation of current asset investment above includes the foreign exchange and market value movements in the year.

MUZINICH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

15. Reserves (continued)

Company	Share premium account £	Revaluation reserve £	Profit and loss account £
At 1 January 2014	102,117	170,367	32,805,950
Profit for the year	-	-	22,012,544
Surplus on revaluation of other fixed assets	-	983,429	-
Transfer between revaluation reserve and profit and loss account	-	(86,038)	86,038
At 31 December 2014	<u>102,117</u>	<u>1,067,758</u>	<u>54,904,532</u>

The movement on revaluation of current asset investment above includes the foreign exchange and market value movements in the year.

16. Reconciliation of movement in shareholders' funds

Group	2014 £	2013 £
Opening shareholders' funds	33,325,550	15,425,849
Profit for the financial year	22,078,783	18,026,263
Gain/(loss) on revaluation of current asset investments	983,429	(126,562)
Closing shareholders' funds	<u>56,387,762</u>	<u>33,325,550</u>

Company	2014 £	2013 £
Opening shareholders' funds	33,278,434	15,318,311
Profit for the financial year	22,012,544	18,086,685
Gain/(loss) on revaluation of current asset investments	983,429	(126,562)
Closing shareholders' funds	<u>56,274,407</u>	<u>33,278,434</u>

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and Loss Account.

The profit for the year dealt with in the accounts of the Company was £22,012,544 (2013 - £18,086,685).

MUZINICH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

17. Net cash flow from operating activities

	2014 £	2013 £
Operating profit	28,088,912	23,563,421
Depreciation of tangible fixed assets	225,907	80,338
Increase in debtors	(715,957)	(8,652,141)
(Decrease)/increase in amounts owed by group undertakings	(1,323,032)	9,232,315
Increase in creditors	461,626	1,166,716
Increase in amounts owed to group undertakings	3,250,478	2,028,218
Net cash inflow from operating activities	29,987,934	27,418,867

18. Analysis of cash flows for headings netted in cash flow statement

	2014 £	2013 £
Returns on investments and servicing of finance		
Distribution income from current asset investments	183,366	29,747
	2014 £	2013 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,085,705)	(98,943)
	2014 £	2013 £
Management of liquid resources		
Purchase of short term listed investments	(27,830,187)	(11,854,215)
Sale of short term listed investments	18,315,218	-
Net cash outflow from management of liquid resources	(9,514,969)	(11,854,215)

MUZINICH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

19. Analysis of changes in net funds

	1 January 2014 £	Cash flow £	Other non-cash changes £	31 December 2014 £
Cash at bank and in hand	14,374,222	14,213,693	-	28,587,915
Liquid resources:				
Current asset investments	16,990,335	9,514,969	983,429	27,488,733
Net funds	<u>31,364,557</u>	<u>23,728,662</u>	<u>983,429</u>	<u>56,076,648</u>

The non-cash movement in current asset investments relates to the unrealised gain of £983,429 in the fair value of investments including the foreign exchange movement, which is taken to the revaluation reserve.

20. Pension commitments

The Group operates defined contribution pension schemes. The pension cost charge represents contributions payable by the Group to the schemes and amounted to £160,691 (2013 - £85,522). At 31 December 2014 contributions amounting to £10,007 were payable to the scheme (2013 - £9,895).

21. Operating lease commitments

At 31 December 2014 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2014	2013
Group	£	£
Expiry date:		
Within 1 year	78,817	-
Between 2 and 5 years	425,224	154,724

At 31 December 2014 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2014	2013
Company	£	£
Expiry date:		
Within 1 year	78,817	-
Between 2 and 5 years	387,986	154,724

MUZINICH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

22. Related party transactions

During the year, the group received operational and managerial services from the ultimate parent company, Muzinich & Co Inc., amounting to £4,793,619 (2013: £4,866,380) and received investment and marketing services amounting to £20,359,868 (2013: £17,670,701). At the year end, the net balance due to Muzinich & Co Inc. was £5,278,696 (2013: £2,721,454).

During the year, the group paid service fees to Muzinich & Co (Ireland) Limited, a fellow group subsidiary, of €435,421 (2013: £nil). At year end, the translated net balance due from Muzinich & Co (Ireland) Limited was £1,461,513 (2013: £831,718).

Investments held as current assets relate to funds invested by the Group in its own fund product offering. Whilst these funds are offered as products by the Group, they are administered by an independent firm.

Muzinich European Private Debt SARL holds a £198,000 (2013: £nil) debtor owed by Muzinich European Private Debt Fund, SCA-SICAV-SIF, in relation to fund formation costs.

The group has taken advantage of the exemption available in Financial Reporting Standard No. 8, "Related Party Disclosures", from the requirement to disclose transactions with wholly owned group companies.

23. Post balance sheet events

On 25 March 2015, the directors proposed and approved a dividend of \$75 per share amounting to \$15,000,000.

24. Ultimate parent undertaking and controlling party

The immediate and ultimate parent undertaking is Muzinich & Co Inc., a company incorporated in the United States of America. Financial statements are available from the group's head office at 450 Park Avenue, New York, NY 10022, USA.

MUZINICH & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

25. Principal subsidiaries

Company name	Country	Percentage Shareholding
Muzinich & Co (Switzerland) AG	Switzerland	100
Muzinich European Private Debt SARL	Luxembourg	100
Muzinich (Deutschland) GmbH	Germany	100