

Registered number: 03852444

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**MUZINICH & CO LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**MUZINICH & CO LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	G M Muzinich M Clark M Ludwig T Greil Castro A M Romanovsky E T Molnar
<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

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**MUZINICH & CO LIMITED**

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## **MUZINICH & CO LIMITED**

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### **GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

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#### **Introduction**

The Directors present their Group Strategic Report for the year ended 31 December 2017.

#### **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 subsidiaries registered in Luxembourg, Muzinich European Private Debt S.à r.l and Muzinich Pan-European Private Debt General Partner S.à r.l, act as General Partner of the majority of the Muzinich private debt funds.

During the year the Group also launched its Pan-European private debt fund, to add to the existing Italian, Iberian, U.K., North West and French private debt funds available. 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.

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.

Market uncertainties surrounding Brexit will continue to dictate a vigilant approach during 2018, and any potential financial effects or market confidence issues will require close monitoring by management.

#### **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 2017.

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

M Clark  
Director



Date:

20/4/18

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**MUZINICH & CO LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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The Directors present their report and the financial statements for the year ended 31 December 2017.

**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; and
- 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 £25,055,435 (2016 - £22,116,531).

Dividends paid in the year amount to \$15,000,000 (2016: \$15,000,000).

The Directors do not recommend payment of a final dividend for the year (2016: £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

**Charitable donations**

During the year the Company made charitable donations of £10,418 (2016: £4,077).

**Future developments**

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

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**MUZINICH & CO LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**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.

**Matters covered in the strategic report**

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' report have been omitted as they are included in the Group Strategic report. These matters relate to activities and business reviews and risks and uncertainties and financial key performance indicators.

**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.

**Post balance sheet events**

In February 2018 the Company paid an interim dividend totalling \$15,000,000.

**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:

20/4/18

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**MUZINICH & CO LIMITED**

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

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**Opinion**

We have audited the financial statements of Muzinich & Co Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Use of the audit report**

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

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Group Strategic Report and Directors' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and,

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**MUZINICH & CO LIMITED**

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

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except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinion on the other matters 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 the 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.

**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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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



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**MUZINICH & CO LIMITED**

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

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**Responsibilities of Directors**

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



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: 24 April 2018

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**MUZINICH & CO LIMITED**

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**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	<b>Note</b>	<b>2017 £</b>	<b>2016 £</b>
Revenue	<b>3</b>	82,237,305	64,472,721
Administrative expenses		(51,002,940)	(36,470,968)
Other operating income		226,756	60,866
<b>Operating profit</b>	<b>5</b>	31,461,121	28,062,619
Income from other fixed asset investments	<b>9</b>	285,725	245,685
<b>Profit before tax</b>		31,746,846	28,308,304
Tax on profit	<b>10</b>	(6,691,411)	(6,191,773)
<b>Profit for the financial year</b>		25,055,435	22,116,531

The notes on 16 to 37 form part of these financial statements.

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**MUZINICH & CO LIMITED**

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	2017 £	2016 £
Profit for the financial year	25,055,435	22,116,531
<b>Other comprehensive income</b>		
Unrealised surplus on revaluation of current asset investments including foreign exchange impact	(1,429,560)	7,525,870
Deferred tax on unrealised surplus/(deficit) on revaluation of investments including foreign exchange impact	441,948	(1,484,723)
Unrealised surplus/(deficit) on revaluation of non-current asset investments including foreign exchange impact	(113,698)	247,898
Effect of tax rate changes of deferred tax on unrealised surplus	-	14,482
<b>Other comprehensive income for the year</b>	(1,101,310)	6,303,527
<b>Total comprehensive income for the year</b>	23,954,125	28,420,058

The notes on pages 16 to 37 form part of these financial statements.

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

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>Non-current assets</b>			
Tangible Fixed Assets	13	1,355,252	1,895,271
Investments	14	2,832,627	2,331,305
		<u>4,187,879</u>	<u>4,226,576</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	16	23,657,004	22,528,082
Current asset investments	17	49,984,417	40,238,028
Cash at bank and in hand	18	37,238,845	30,170,252
		<u>110,880,266</u>	<u>92,936,362</u>
Creditors: amounts falling due within one year	19	(26,079,967)	(19,411,446)
<b>Net current assets</b>		<u>84,800,299</u>	<u>73,524,916</u>
<b>Total assets less current liabilities</b>		<u>88,988,178</u>	<u>77,751,492</u>
<b>Provisions for liabilities</b>			
Deferred taxation	21	(1,131,410)	(1,787,949)
		<u>(1,131,410)</u>	<u>(1,787,949)</u>
<b>Net assets</b>		<u><u>87,856,768</u></u>	<u><u>75,963,543</u></u>
<b>Capital and reserves</b>			
Called up share capital	23	200,000	200,000
Share premium account	22	102,117	102,117
Revaluation reserve	22	3,360,844	6,748,064
Profit and loss account	22	84,193,807	68,913,362
		<u><u>87,856,768</u></u>	<u><u>75,963,543</u></u>

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

M Clark  
Director



Date:

20/4/18

The notes on pages 16 to 37 form part of these financial statements.

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

**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	13	1,196,937	1,687,928
Investments	14	3,053,508	2,410,460
		<u>4,250,445</u>	<u>4,098,388</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	16	24,596,499	22,306,186
Current asset investments	17	49,984,417	40,238,028
Cash at bank and in hand	18	36,964,815	30,048,663
		<u>111,545,731</u>	<u>92,592,877</u>
Creditors: amounts falling due within one year	19	(27,548,352)	(19,409,849)
<b>Net current assets</b>		<u>83,997,379</u>	<u>73,183,028</u>
<b>Total assets less current liabilities</b>		<u>88,247,824</u>	<u>77,281,416</u>
<b>Provisions for liabilities</b>			
Deferred taxation	21	(1,131,410)	(1,787,949)
		<u>(1,131,410)</u>	<u>(1,787,949)</u>
<b>Net assets</b>		<u>87,116,414</u>	<u>75,493,467</u>
<b>Capital and reserves</b>			
Called up share capital	23	200,000	200,000
Share premium account	22	102,117	102,117
Revaluation reserve	22	3,360,844	6,748,064
Profit and loss account	22	83,453,453	68,443,286
		<u>87,116,414</u>	<u>75,493,467</u>

The company has elected to take the exemption permitted under Section 408 of the Companies Act 2006 not to present the Company's profit and loss account. The Company's profit for the year was £24,785,157.

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

M Clark  
Director

*M. Clark*  
20/4/18

The notes on pages 16 to 37 form part of these financial statements.

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**MUZINICH & CO LIMITED**

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	200,000	102,117	6,748,064	68,913,362	75,963,543
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	25,055,435	25,055,435
Unrealised surplus/ (deficit) on revaluation of current asset investments including foreign exchange impact	-	-	(1,429,560)	-	(1,429,560)
Deferred tax on unrealised surplus/ (deficit) on revaluation of investments including foreign exchange impact	-	-	441,948	-	441,948
Unrealised surplus/ (deficit) on revaluation of non-current asset investments including foreign exchange impact	-	-	(113,698)	-	(113,698)
<b>Other comprehensive income for the year</b>	-	-	(1,101,310)	-	(1,101,310)
<b>Total comprehensive income for the year</b>	-	-	(1,101,310)	25,055,435	23,954,125
Dividends: Equity capital	-	-	-	(12,060,900)	(12,060,900)
Transfer to profit and loss account - realised revaluation surplus	-	-	(2,822,111)	2,822,111	-
Transfer to profit and loss account - deferred tax on realised revaluation surplus	-	-	536,201	(536,201)	-
<b>At 31 December 2017</b>	<b>200,000</b>	<b>102,117</b>	<b>3,360,844</b>	<b>84,193,807</b>	<b>87,856,768</b>

**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/ (deficit) on revaluation of current asset investments including foreign exchange impact	-	-	7,525,870	-	7,525,870
Deferred tax on unrealised surplus/(deficit) on revaluation of investments including foreign exchange impact	-	-	(1,484,723)	-	(1,484,723)
Unrealised surplus/ (deficit) 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>

The notes on pages 16 to 37 form part of these financial statements.

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**MUZINICH & CO LIMITED**

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**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	200,000	102,117	6,748,064	68,443,286	75,493,467
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	24,785,157	24,785,157
Unrealised surplus/ (deficit) on revaluation of current asset investments including foreign exchange impact	-	-	(1,429,560)	-	(1,429,560)
Deferred tax on unrealised surplus/ (deficit) on revaluation of investments including foreign exchange impact	-	-	441,948	-	441,948
Unrealised surplus/ (deficit) on revaluation of non-current asset investments including foreign exchange impact	-	-	(113,698)	-	(113,698)
<b>Other comprehensive income for the year</b>	-	-	(1,101,310)	-	(1,101,310)
<b>Total comprehensive income for the year</b>	-	-	(1,101,310)	24,785,157	23,683,847
Dividends: Equity capital	-	-	-	(12,060,900)	(12,060,900)
Transfer to profit and loss account - realised revaluation surplus	-	-	(2,822,111)	2,822,111	-
Transfer to profit and loss account - deferred tax on realised revaluation surplus	-	-	536,201	(536,201)	-
<b>At 31 December 2017</b>	<b>200,000</b>	<b>102,117</b>	<b>3,360,844</b>	<b>83,453,453</b>	<b>87,116,414</b>



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**MUZINICH & CO LIMITED**

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

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	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/ (deficit) on revaluation of current asset investments including foreign exchange impact	-	-	7,525,870	-	7,525,870
Deferred tax on unrealised surplus/(deficit) on revaluation of investments including foreign exchange impact	-	-	(1,484,723)	-	(1,484,723)
Unrealised surplus/ (deficit) on revaluation of non-current asset investments including foreign exchange impact	-	-	247,898	-	247,898
Effect of tax rate changes on deferred tax and 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
<b>Contributions by and distributions to owners</b>					
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>

The notes on pages 16 to 37 form part of these financial statements.

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**MUZINICH & CO LIMITED**

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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	2017 £	2016 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	25,055,435	22,116,531
<b>Adjustments for:</b>		
Depreciation of tangible assets	700,874	600,075
Investment income	(285,725)	(245,685)
Taxation charge	6,691,411	6,191,773
(Increase) in debtors	(1,128,921)	(8,298,196)
Increase in creditors	7,146,742	1,803,661
Corporation tax (paid)	(7,384,225)	(3,620,392)
Foreign exchange	(8,042)	(9,181)
<b>Net cash generated from operating activities</b>	<u>30,787,549</u>	<u>18,538,586</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(152,812)	(982,849)
Purchase of non-current asset investments	(997,607)	(1,203,880)
Sale of non-current asset investments	382,587	-
Purchase of current asset investments	(21,883,761)	(7,680,023)
Sale of current asset investments	18,009,202	7,835,259
Income from investments	285,725	245,685
Amounts placed on fixed term deposit	(7,301,390)	(345,163)
<b>Net cash from investing activities</b>	<u>(11,658,056)</u>	<u>(2,130,971)</u>
<b>Cash flows from financing activities</b>		
Dividends paid	(12,060,900)	(11,394,000)
<b>Net cash used in financing activities</b>	<u>(12,060,900)</u>	<u>(11,394,000)</u>
<b>Net increase in cash and cash equivalents</b>	7,068,593	5,013,615
Cash and cash equivalents at beginning of year	30,170,252	25,156,637
<b>Cash and cash equivalents at the end of year</b>	<u>37,238,845</u>	<u>30,170,252</u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	37,238,845	30,170,252
	<u>37,238,845</u>	<u>30,170,252</u>

The notes on pages 16 to 37 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 2017**

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**1. Accounting policies****1.1 General information**

Muzinich & Co Limited ('the Company') is a private company limited by shares incorporated in England and Wales. The address of its registered office is 8 Hanover Street, London, W1S 1YQ. The Company's registered number is 03852444.

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

The financial statements are prepared in Sterling (£), which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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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 in the Consolidated Profit and Loss Account.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**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.

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	5 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.

Depreciation is charged to 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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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 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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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's 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.

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**MUZINICH & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**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**

	2017 £	2016 £
Rents receivable	226,756	60,866
	<u>226,756</u>	<u>60,866</u>

**5. Operating profit**

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

	2017 £	2016 £
Depreciation of tangible fixed assets	700,874	600,075
Exchange rate (gains)/ losses	876,554	(3,819,779)
Defined contribution pension cost	648,842	370,084
Operating lease rentals	1,394,072	1,158,753
	<u>1,394,072</u>	<u>1,158,753</u>

**6. Auditor' Remuneration**

	2017 £	2016 £
Fees payable to the Group's auditor for the audit of the Group's annual accounts	37,375	34,000
Assurance services	2,300	2,250
Taxation compliance services	5,280	5,250
Other Services relating to taxation	11,000	12,000
All other services	4,400	4,400
	<u>60,355</u>	<u>57,900</u>

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**MUZINICH & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**7. Employees**

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

	2017 £	2016 £
Wages and salaries	26,635,504	20,259,322
Social security costs	3,685,909	3,093,588
Cost of defined contribution scheme	648,842	370,084
	<u>30,970,255</u>	<u>23,722,994</u>

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

	2017 No.	2016 No.
Marketing and Client Service	44	39
Investment	32	25
Operations and Administrative	23	21
	<u>99</u>	<u>85</u>

**8. Directors' remuneration**

	2017 £	2016 £
Directors' emoluments	2,538,058	1,838,224
Directors' pension costs - money purchase schemes	27,383	16,800
	<u>2,565,441</u>	<u>1,855,024</u>

The highest paid Director received remuneration of £1,994,561 (2016 - £1,167,062).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £19,917 (2016 - £10,500).

The number of directors to whom benefits were accrued under defined contribution pension schemes was 2 (2016 - 2).

The number of directors to whom participate in a long-term incentive programme was 2 (2016 - 2). The amounts are included within creditors.

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.

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**MUZINICH & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**9. Investment income**

	2017 £	2016 £
Distribution income from non-current asset investments	132,612	40,564
Distribution income from current asset investments	77,816	188,135
Interest income from fixed term deposits	75,183	16,715
Other interest	114	270
	<u>285,725</u>	<u>245,684</u>

**10. Taxation**

	2017 £	2016 £
<b>Corporation tax</b>		
Current tax on profits for the year	6,750,510	5,990,008
Adjustments in respect of previous periods	182,828	59,929
	<u>6,933,338</u>	<u>6,049,937</u>
Double taxation relief	(350,766)	(237,919)
	<u>6,582,572</u>	<u>5,812,018</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	505,854	464,339
Foreign tax in respect of prior periods	(182,424)	-
	<u>323,430</u>	<u>464,339</u>
<b>Total current tax</b>	<u>6,906,002</u>	<u>6,276,357</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(214,591)	(74,648)
Effect of tax rate change on opening balance	-	(9,936)
<b>Total deferred tax</b>	<u>(214,591)</u>	<u>(84,584)</u>
<b>Taxation on profit on ordinary activities</b>	<u>6,691,411</u>	<u>6,191,773</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 £441,948 surplus (2016 - £1,484,723 deficit).

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**MUZINICH & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**10. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2016 - higher than) the standard average rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	31,746,846	28,308,304
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	6,111,268	5,661,661
<b>Effects of:</b>		
Expenses not deductible for tax purposes	610,737	317,848
Fixed asset differences	26,663	46,114
Effect of tax rate changes	15,068	(10,255)
Adjustment to tax charge in respect of previous years	404	59,929
Foreign tax credits	155,088	223,183
Tax credits	(2,474)	(37,627)
Other differences leading to an increase (decrease) in the tax charge	(124,774)	52,346
Deferred tax not recognised	(100,569)	(121,426)
<b>Total tax charge for the year</b>	<b>6,691,411</b>	<b>6,191,773</b>

**Factors that may affect future tax charges**

In the Finance Act 2016, further changes to the future rates of Corporation tax were enacted on 15 September 2016. Under this legislation, the rate of Corporation tax was reduced from 20% to 19% from April 2017 and further reduced to 17% from April 2020.

Deferred tax balances at the reporting date are measured at 17% (2016 - 17%) on accelerated capital allowances and other timing differences. Deferred tax balances at the reporting date are measured at 19% (2016 - 19%) for unrealised gains on investments in managed funds.

**11. Dividends**

	2017 £	2016 £
Dividend on ordinary share capital	12,060,900	11,394,000
	<u>12,060,900</u>	<u>11,394,000</u>

Dividend payment of \$75 (2016: \$75) per ordinary share, totalling \$15,000,000 (2016: \$15,000,000).

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**MUZINICH & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**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 £24,785,157 (2016 - £21,872,738).

**13. Tangible fixed assets****Group**

	<b>Leasehold Improvements £</b>	<b>Fixtures &amp; fittings £</b>	<b>Office &amp; computer equipment £</b>	<b>Total £</b>
<b>Cost or valuation</b>				
At 1 January 2017	1,470,446	892,117	602,768	2,965,331
Additions	111,351	25,605	15,856	152,812
Exchange adjustments	4,902	5,179	1,878	11,959
At 31 December 2017	1,586,699	922,901	620,502	3,130,102
<b>Depreciation</b>				
At 1 January 2017	377,865	358,518	333,677	1,070,060
Charge for the period	375,667	172,062	153,145	700,874
Exchange adjustments	1,045	1,773	1,098	3,916
At 31 December 2017	754,577	532,353	487,920	1,774,850
<b>Net book value</b>				
At 31 December 2017	832,122	390,548	132,582	1,355,252
At 31 December 2016	1,092,581	533,599	269,091	1,895,271

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**MUZINICH & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**13. Tangible fixed assets (continued)****Company**

	<b>Leasehold Improvements £</b>	<b>Fixtures &amp; fittings £</b>	<b>Office &amp; computer equipment £</b>	<b>Total £</b>
<b>Cost or valuation</b>				
At 1 January 2017	1,365,181	780,899	562,438	2,708,518
Additions	111,351	25,605	15,856	152,812
At 31 December 2017	<u>1,476,532</u>	<u>806,504</u>	<u>578,294</u>	<u>2,861,330</u>
<b>Depreciation</b>				
At 1 January 2017	367,631	335,934	317,025	1,020,590
Charge for the period on owned assets	350,232	150,133	143,438	643,803
At 31 December 2017	<u>717,863</u>	<u>486,067</u>	<u>460,463</u>	<u>1,664,393</u>
<b>Net book value</b>				
At 31 December 2017	<u>758,669</u>	<u>320,437</u>	<u>117,831</u>	<u>1,196,937</u>
At 31 December 2016	<u>997,550</u>	<u>444,965</u>	<u>245,413</u>	<u>1,687,928</u>

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**MUZINICH & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**14. Non-current asset investments****Group**

	Investments in managed funds £
<b>Cost or valuation</b>	
At 1 January 2017	2,331,305
Additions	1,189,162
Disposals	(382,587)
Equalisation	(191,555)
Revaluations	(113,698)
At 31 December 2017	<u>2,832,627</u>

**Company**

	Investments in subsidiary companies £	Investments in managed funds £	Total £
<b>Cost or valuation</b>			
At 1 January 2017	79,155	2,331,305	2,410,460
Additions	141,726	1,189,162	1,330,888
Disposal	-	(382,587)	(382,587)
Equalisation	-	(191,555)	(191,555)
Revaluations	-	(113,698)	(113,698)
At 31 December 2017	<u>220,881</u>	<u>2,832,627</u>	<u>3,053,508</u>

**Net book value**

At 31 December 2016	<u>79,155</u>	<u>2,331,305</u>	<u>2,410,460</u>
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**MUZINICH & CO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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**15. 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. The subsidiary's registered office is Tödistrasse 5, 8002 Zurich, Switzerland.

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. The subsidiary's registered office is 6d, route de Treves, L-2633 Senningberg, Luxembourg.

During 2016 the company incorporated a subsidiary in Singapore, Muzinich & Co. (Singapore) PTE Ltd. The company owns 100% of the ordinary share capital in issuance. In 2017, share capital was issued to increase the company's investment to S\$250,000 (translated as £139,550), the investment is stated at cost. The subsidiary's registered office is One Raffles Quay, Level 25 North Tower, 048583, Singapore.

During 2017, the Company incorporated a new subsidiary in Luxembourg, Muzinich Pan-European Private Debt General Partner SARL. The Company owns 100% of the ordinary shares in issuance. The company's investment of €12,000 (translated as £10,395) is stated at cost. The subsidiary's registered office is 6d, route de Treves, L-2633 Senningberg, Luxembourg.

In March 2018, the Company liquidated its German subsidiary, Muzinich (Deutschland) GmbH.

All subsidiaries have been included in the consolidated financial statements.

The aggregate of the share capital and reserves as at 31 December 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	<b>Aggregate of share capital and reserves £</b>	<b>Profit/(loss) £</b>
Muzinich & Co (Switzerland) AG	545,617	137,329
Muzinich European Private Debt SARL	118,862	37,966
Muzinich & Co. (Singapore) PTE Ltd	265,146	114,991
Muzinich Pan-European Private Debt General Partner SARL	22,717	12,066

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**16. Debtors**

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
Trade debtors	17,824,495	19,264,425	17,824,495	19,264,425
Amounts owed by group undertakings	266,920	750,327	2,491,056	1,133,707
Other debtors	4,581,753	1,331,072	3,395,138	784,540
Prepayments and accrued income	581,402	540,068	493,040	516,672
VAT recoverable	402,434	642,190	392,770	606,842
	<u>23,657,004</u>	<u>22,528,082</u>	<u>24,596,499</u>	<u>22,306,186</u>

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

**17. Current asset investments**

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
Investments	40,641,387	38,196,388	40,641,387	38,196,388
Fixed term deposit	9,343,030	2,041,640	9,343,030	2,041,640
	<u>49,984,417</u>	<u>40,238,028</u>	<u>49,984,417</u>	<u>40,238,028</u>

**18. Cash and cash equivalents**

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
Cash at bank and in hand	37,238,845	30,170,252	36,964,815	30,048,663
	<u>37,238,845</u>	<u>30,170,252</u>	<u>36,964,815</u>	<u>30,048,663</u>

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**19. Creditors: Amounts falling due within one year**

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
Trade creditors	2,131,611	1,637,855	1,996,796	1,572,167
Amounts owed to group undertakings	8,543,840	5,670,975	10,906,749	6,247,766
Corporation tax	3,457,661	4,145,438	3,348,673	4,059,844
Other taxation and social security	1,849,480	1,518,724	1,816,647	1,477,881
Other creditors	656,934	463,007	656,929	448,225
Accruals and deferred income	9,440,441	5,975,447	8,822,558	5,603,966
	<u>26,079,967</u>	<u>19,411,446</u>	<u>27,548,352</u>	<u>19,409,849</u>

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

**20. Financial instruments**

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
<b>Financial assets</b>				
Financial assets that are available for sale	40,641,387	40,527,693	40,641,387	40,527,693
Financial assets that are debt instruments measured at amortised cost	22,673,165	21,345,824	23,710,689	21,182,671
Cash and cash equivalents	37,238,845	30,170,252	36,964,815	30,048,663
Fixed term deposit	9,343,030	2,041,640	9,343,030	2,041,640
	<u>109,896,427</u>	<u>94,085,409</u>	<u>110,659,921</u>	<u>93,800,667</u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	(20,772,821)	(13,747,284)	(22,383,032)	(13,872,124)
	<u>(20,772,821)</u>	<u>(13,747,284)</u>	<u>(22,383,032)</u>	<u>(13,872,124)</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

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**21. Deferred taxation**

**Group**

	2017 £	2016 £
At beginning of year	(1,787,949)	(402,292)
Charged to other comprehensive income	441,948	(1,470,241)
Utilised in year	214,591	84,584
<b>At end of year</b>	<b>(1,131,410)</b>	<b>(1,787,949)</b>

**Company**

	2017 £	2016 £
At beginning of year	(1,787,949)	(402,292)
Charged to other comprehensive income	441,948	(1,470,241)
Utilised in year	214,591	84,584
<b>At end of year</b>	<b>(1,131,410)</b>	<b>(1,787,949)</b>

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Accelerated capital allowances	(68,412)	(94,272)	(68,412)	(94,272)
Other timing differences	188,731	(208,954)	188,731	(208,954)
Unrealised gains	(1,251,729)	(1,484,723)	(1,251,729)	(1,484,723)
	<b>(1,131,410)</b>	<b>(1,787,949)</b>	<b>(1,131,410)</b>	<b>(1,787,949)</b>

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**22. Reserves**

**Share premium**

The share premium reserve represents the difference between the proceeds and the nominal value of each share issued.

**Revaluation reserve**

This reserve represents the cumulative unrealised revaluations gains and losses on revaluation of fixed asset and current asset investments.

The amounts debited to the revaluation reserve are deferred tax on unrealised surplus on revaluation of fixed asset and current asset investments. The amounts credited to the revaluation reserve are deferred tax on unrealised deficit on revaluation of fixed asset and current asset investments.

**Profit & loss account**

The profit and loss account reserve represents the cumulative profit and losses of the Group, realised gains and losses on investments and deductions for dividends.

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**MUZINICH & CO LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2017**

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**23. Share capital**

	2017 £	2016 £
<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.

**24. Capital commitments**

At 31 December 2017 the Group and Company had outstanding commitments in relation to non-current asset investments as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Muzinich UK and NW Private Debt fund	784,504	846,143	784,504	846,143
Muzinich Italian Private Debt fund	1,573,270	1,356,159	1,573,270	1,356,159
Muzinich Iberian Private Debt fund	550,826	621,695	550,826	621,695
Muzinich French Private Debt fund	142,096	-	142,096	-
Muzinich Pan Europe Private Debt ISCSP	7,340,948	-	7,340,948	-
Muzinich Pan Europe Private Debt Carry Partner SCSP	2,560,797	-	2,560,797	-
	<u>12,952,441</u>	<u>2,823,997</u>	<u>12,952,441</u>	<u>2,823,997</u>

**25. Commitments under operating leases as lessee**

At 31 December 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Not later than 1 year	1,373,949	1,397,804	1,218,875	1,258,825
Later than 1 year and not later than 5 years	4,099,794	4,602,577	3,699,186	4,104,570
Later than 5 years	861,250	1,656,250	861,250	1,656,250
	<u>6,334,993</u>	<u>7,656,631</u>	<u>5,779,311</u>	<u>7,019,645</u>

Lease payments recognised as an expense in the year total £1,394,072 (2016: £1,158,753).

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**26. Commitments under operating leases as lessor**

At 31 December 2017 the Group and the Company had future minimum lease payments receivable under non-cancellable operating leases as follows:

	<b>Group 2017 £</b>	<b>Group 2016 £</b>	<b>Company 2017 £</b>	<b>Company 2016 £</b>
Not later than 1 year	199,104	199,104	199,104	199,104
Later than 1 year and not later than 5 years	99,552	298,656	99,552	298,656
	<u>298,656</u>	<u>497,760</u>	<u>298,656</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 £226,756 (2016: £60,866).

**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 £648,842 (2016 - £370,084). At 31 December 2017 contributions amounting to £227,402 were payable to the scheme (2016 - £84,683), 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 £8,867,316 (2016 - £8,192,488) and received investment and marketing services amounting to £31,916,124 (2016 - £19,718,427). At the year end, the net balance due to Muzinich & Co Inc. was £8,543,840 (2016 - £5,670,975).

During the year, the Group paid service fees to Muzinich & Co (Ireland) Limited, a fellow group subsidiary, of £704,949 (2016 - £355,617). At year end, the translated net balance due from Muzinich & Co (Ireland) Limited was £266,920 (2016 - £750,327).

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 £618,565 (2016 - £725,375) of debtors owed by the Muzinich European Private Debt AIF Funds in relation to 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.

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**MUZINICH & CO LIMITED**

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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.

**30. Post balance sheet events**

In February 2018 the company paid an interim dividend totalling \$15,000,000.