

# Five Arrows Managers LLP

## Report of the Members and Financial Statements for the year ended 31 December 2018

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## Members' Report

The Members present their report and audited financial statements of Five Arrows Managers LLP ("the LLP" or "Partnership") for the year to 31 December 2018.

### Principal Activities

The Partnership provides investment management services to a range of private equity and private debt vehicles, as part of the Rothschild & Co Group's Merchant Banking division. The LLP will also, where required, invest in the CLO vehicles for which it acts as investment manager.

The LLP is ultimately owned by Rothschild & Co SCA, the French listed parent company. Further information on the Rothschild & Co Group can be found on the corporate website [www.rothschildandco.com](http://www.rothschildandco.com)

### Strategic developments

During the period, the LLP continued its role as delegated investment manager to fellow subsidiaries, Rothschild & Co Investment Managers (Luxembourg) and Five Arrows Managers SAS (France), in respect of managing parts of the portfolios of certain equity and debt Merchant Banking funds. In particular, this included Five Arrows Principal Investments, Five Arrows Credit Solutions, Five Arrows Direct Lending which respectively invest in mid-market private equity, mezzanine debt and uni-tranche debt.

In addition, the LLP continued to provide investment management and sub-advisory services to Luxembourg SICAV-SIFs (the Oberon Funds), Securitisation Vehicles and European and US CLOs (Collateralised Loan Obligation entities).

In April 2018 an existing CLO for which FAM LLP acted as the Collateral Manager was re-set and resulted in the acquisition of further notes in Contego CLO III. In December 2018 the LLP was approved as Collateral Manager on Contego CLO VI. In order to adhere to regulatory requirements, the partnership acquired €21.6m of notes in the vehicle.

Both of these additional investments were funded by a combination of borrowing from Rothschild & Co Continuation Limited, a parent company of the LLP, and further capital injections of €356,600 and €8,171,505 from the immediate parent company, Rothschild & Co Credit Management Ltd.

Following this transaction, the LLP now has investments in four CLOs which it provides investment management or sub-advisory services to, namely Contego CLO III BV, Contego CLO II BV, Contego CLO VI DAC and Ocean Trails CLO VI LLC.

### Brexit

The Management Board of FAM LLP has been working with Senior Management to ensure FAM LLP is as prepared as possible for the various potential outcomes of Brexit. Legal advice has been obtained, and the LLP has applied for local country registration with certain EU countries as required. The Partners' are of the view that the LLP will be able to continue to manage its current assets under management in the event of a no-deal Brexit and therefore do not see any significant impact on the business.

### Change of financial year end

In 2017 the LLP changed its financial year end from 31 March to 31 December. This set of financial statements is the first full year since this change and consequently, the comparative figures for the LLP's income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes are for the 9 months from 1 April 2017 to 31 December 2017.



## **Members**

The Majority Member, Rothschild & Co Credit Management Limited, owns a 99% share of the capital in the LLP. The other 1% is owned by Rothschild & Co Continuation Limited.

## **Results and distributions**

The LLP's balance sheet as detailed on page 8 shows a satisfactory position with Members' interests amounting to €26,341,283 (31 December 2017: €19,655,553). The LLP retains sufficient levels of capital and liquidity.

The results for the year are shown in the Statement of Comprehensive Income on page 7. Although a loss has been reported, resulting in reserves being negative as at 31 December 2018, the Partnership is projected to make profits in 2019 and beyond, enabling reserves to return to a positive position.

The loss during the period has arisen due to a combination of factors. There has been an investment to grow the business which has seen costs increase while the benefit of AUM and revenue growth will be seen in the coming years.

Further to the transfer of all of the Rothschild & Co Group's UK Merchant Banking activity to FAM LLP in late 2017, the Partnership has experienced a significant increase in management fee revenue. Related to this transfer, administrative expenses are now incurred for the provision of investment management services undertaken.

## **Members' Profit allocation**

Profits are shared among the Members in accordance with the terms of the Partnership Agreement dated 1 November 2018 (and as amended from time to time).

## **Members' drawings**

At the discretion of the Majority Member, each Member shall be entitled to take drawings from their distribution account in advance of profits being credited to this account.

## **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

## **Audit Information**

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

## **Members' responsibilities statement**

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare LLP financial statements for each financial year. Under that law the Members have elected to prepare the LLP financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the Members 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 LLP and of the loss of the LLP for that year. In preparing these financial statements, the Members are required to:



Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the Members 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 LLP and of the loss of the LLP for that year. In preparing these financial statements, the Members are required to:

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

The Members are responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

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

By Order of the Members

Peter Barbour, for and on behalf of Rothschild & Co Credit Management Limited  
Designated Member  
New Court, St Swithin's Lane, London EC4N 8AL

2 April 2019

# Independent auditor's report to the members of Five Arrows Managers LLP

## Opinion

We have audited the financial statements of Five Arrows Managers LLP ("the LLP") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

## Basis for opinion

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

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

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the members, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the LLP's future prospects and performance.

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

## Going concern

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

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

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

## **Other information**

The members are responsible for the other information, which comprises the members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

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

Under the Companies Act 2006 as applied to limited liability partnerships we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## **Members' responsibilities**

As explained more fully in their statement set out on page 3, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

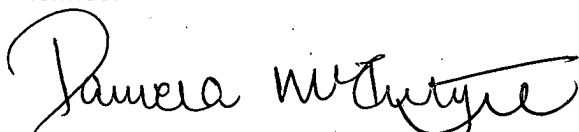
## **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

This report is made solely to the members of the LLP, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Pamela McIntyre (Senior Statutory Auditor)

**For and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London E14 5GL

2 April 2019



# Statement of comprehensive income

For the year ended 31 December 2018

	Year to 31 December 2018 €	9 months to 31 December 2017 €
Management fees	26,704,884	9,562,445
Management fee rebates	(830,650)	(654,268)
<b>Net fee income</b>	<b>25,874,234</b>	<b>8,908,177</b>
Interest earned on available-for-sale investment securities	-	873,412
Interest earned on investment securities measured at amortised cost	802,181	-
Interest earned on investment securities measured at fair value through profit and loss	563,345	-
Other interest income	34,194	-
Interest expense	(650,717)	(335,295)
<b>Net interest income</b>	<b>749,003</b>	<b>538,117</b>
Service fee expenses	-	(8,462,768)
Administrative expenses	3 (28,218,602)	(8,668)
Unrealised gains on investment securities measured at fair value through profit and loss	19,684	-
Foreign exchange (losses)/gains	(49,946)	27,455
<b>(Loss) / Profit for the period</b>	<b>(1,625,627)</b>	<b>1,002,313</b>
<b>Other comprehensive Income</b>		
(Losses) on available-for-sale debt securities	-	(219,000)
<b>Total comprehensive income for the period</b>	<b>(1,625,627)</b>	<b>783,313</b>

The notes on pages 11 to 25 form an integral part of these financial statements



# Balance sheet

At 31 December 2018

	Note	31 December 2018 €	31 December 2017 €
<b>Current assets</b>			
Cash and cash equivalents	5	1,806,971	92,574
Loan to fellow subsidiary	6	5,480,000	-
Available-for-sale debt securities	7	-	45,371,490
Debt securities – fair value through profit and loss	7	9,324,646	-
Debt securities – measured at amortised cost	7	56,683,230	-
Equity securities – fair value through profit and loss	8	27,500	27,500
Receivables	9	9,467,830	11,883,021
Other assets	10	1,820,774	-
<b>Total current assets</b>		<b>84,610,951</b>	<b>57,374,585</b>
<b>Current liabilities</b>			
Payables	11	(12,273,902)	(10,099,706)
<b>Net current Assets</b>		<b>72,337,049</b>	<b>47,274,879</b>
<b>Non-Current liabilities</b>			
Due to banks	12	(8,107,573)	(17,029,137)
Loans from fellow subsidiaries	13	(37,888,193)	(10,590,189)
<b>Net assets</b>		<b>26,341,283</b>	<b>19,655,553</b>
<b>Shareholders' equity</b>			
Members' capital		27,699,791	19,171,686
Retained earnings		(1,414,062)	798,568
Available-for-sale reserve		-	(370,255)
Other reserves		55,554	55,554
<b>Total Members' other interests</b>		<b>26,341,283</b>	<b>19,655,553</b>

The financial statements on pages 7 to 25 were approved by the Members and were signed on their behalf by:

Peter Barbour

For and on behalf of Rothschild & Co Credit Management Limited  
Designated Member

2 April 2019

The notes on pages 11 to 25 form an integral part of these financial statements





# Statement of changes in equity

For the year ended 31 December 2018

	Members' capital	Retained earnings	Available for sale reserve	Other reserves	Total
	€	€	€	€	€
<b>At 31 December 2017</b>	<b>19,171,686</b>	<b>798,568</b>	<b>(370,255)</b>	<b>55,554</b>	<b>19,655,553</b>
Transition to IFRS 9	-	(587,003)	370,255	-	(216,748)
<b>At 1 January 2018</b>	<b>19,171,686</b>	<b>211,565</b>	<b>-</b>	<b>55,554</b>	<b>19,438,805</b>
(Loss) for the year	-	(1,625,627)	-	-	(1,625,627)
<b>Total comprehensive income</b>	<b>-</b>	<b>(1,625,627)</b>	<b>-</b>	<b>-</b>	<b>(1,625,627)</b>
Issuance of capital	8,528,105	-	-	-	8,528,105
<b>At 31 December 2018</b>	<b>27,699,791</b>	<b>(1,414,062)</b>	<b>-</b>	<b>55,554</b>	<b>26,341,283</b>

<b>At 1 April 2017</b>	<b>12,114,297</b>	<b>455,330</b>	<b>(151,255)</b>	<b>55,554</b>	<b>12,473,926</b>
Profit for the year	-	1,002,313	-	-	1,002,313
Other comprehensive income:					
Available-for-sale securities	-	-	(219,000)	-	(219,000)
<b>Total comprehensive income</b>	<b>-</b>	<b>1,002,313</b>	<b>(219,000)</b>	<b>-</b>	<b>783,313</b>
Issuance of capital	7,057,389	-	-	-	7,057,389
Distributions to members'	-	(659,075)	-	-	(659,075)
<b>At 31 December 2017</b>	<b>19,171,686</b>	<b>798,568</b>	<b>(370,255)</b>	<b>55,554</b>	<b>19,655,553</b>

The notes on pages 11 to 25 form an integral part of these financial statements



# Cash flow statement

For the year ended 31 December 2018

		Year to 31 December 2018 €	9 months to 31 December 2017 €
	Note		
<b>Cash flow from operating activities</b>			
Net (loss)/profit for the financial year		(1,625,627)	1,002,313
Movement on accrued interest on debt securities	7	(67,214)	(58,177)
Net fair value movements on debt securities	7	(640,248)	1,683,481
Unrealised foreign exchange on bank borrowing	12	402,548	(960,427)
Decrease/(Increase) in receivables	9	2,415,191	(4,417,660)
(Increase) in other assets	10	(1,820,774)	-
Increase in payables	11	2,174,196	772,405
<b>Net cash flow from operating activities</b>		<b>838,072</b>	<b>(1,978,065)</b>
<b>Cash flow from financing activities</b>			
Increase in Group borrowing	13	27,298,004	10,590,189
(Increase) in Loan to fellow subsidiary	6	(5,480,000)	-
(Decrease)/Increase in Bank borrowing	12	(9,324,112)	33,386
Issuance of Capital		8,528,105	7,057,389
Distributions to Members		-	(659,075)
<b>Net cash flow from financing activities</b>		<b>21,021,997</b>	<b>17,021,889</b>
<b>Cash flow from investing activities</b>			
Disposal of debt securities	7	14,162,978	-
Purchase of debt securities	7	(34,308,650)	(17,608,936)
<b>Net cash flow from investing activities</b>		<b>(20,145,672)</b>	<b>(17,608,936)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,714,397</b>	<b>(2,565,112)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>92,574</b>	<b>2,657,686</b>
<b>Cash and cash equivalents at end of year</b>	<b>5</b>	<b>1,806,971</b>	<b>92,574</b>

Interest receipts during the year were €1,332,506 (period to 31 December 2017: €1,006,515). Interest payments during the year were €637,713 (period to 31 December 2017: €319,445).

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

# Notes to the financial statements



*(forming part of the financial statements)*

## 1. Accounting Policies

Five Arrows Managers LLP (the "Partnership") is a limited liability partnership formed in the United Kingdom. The registered address is New Court, St Swithin's Lane, London, EC4N 8AL. The principal accounting policies which have been consistently adopted in the presentation of the financial statements are as follows:

### a. Basis of preparation

The financial statements are prepared and approved by the Members in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, endorsed by the European Union ("EU") and with those requirements of the Companies Act 2006 applicable to companies reporting under IFRS.

### Standards affecting the financial statements

#### IFRS 9 Financial Instruments

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

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

- Previously financial assets were classified as either fair value through profit or loss, loans and advances, held-to-maturity investments or available-for-sale. IFRS 9 eliminates the loans and advances and held-to-maturity categories and requires financial assets to be measured at amortised cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"). This classification should be based on the business model by which they are managed and their contractual cash flow characteristics. Accordingly, a number of investments that were previously designated as available-for-sale under IAS 39 have been reclassified as either FVTPL or amortised cost under IFRS 9. Subject to other criteria being met, the key distinction between the categorisation of each tranche is determined by the exposure to credit risk in the underlying pool of financial instruments held by each CLO, where the credit risk associated with the tranche is lower, the asset is held at amortised cost, if the credit risk is higher then the asset is held at FVTPL.
- IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The new impairment model recognises credit losses earlier than under IAS 39, and applies to financial assets measured at amortised cost and debt investments designated as FVOCI, but not to investments in equity instruments. On transition to IFRS 9 and during subsequent additions made during the financial year, an impairment allowance was calculated in respect of assets categorised at amortised cost. This was calculated based on the expected 12 month credit loss associated with each applicable tranche. Should there be a credit deterioration this will switch to expected lifetimes losses.

The adoption of IFRS 9 has been applied retrospectively by adjusting the opening balance sheet at the date of implementation. Comparative period figures have not been restated. A summary of the effect of the transition to IFRS 9 on the Partnership's balance sheet is provided in note 15.

# Notes to the financial statements

*(forming part of the financial statements)*



## **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 Revenue from Contracts with Customers, which provides a principles-based framework for determining whether, how much and when revenue is recognised was implemented with effect from 1 January 2018. There has been no significant impact on revenue recognition in the year to December 2018.

## **Future accounting developments**

A number of new standards, amendments to standards and interpretations are effective for accounting periods ending after 31 December 2018 and therefore have not been applied in preparing these financial statements. The Partnership has reviewed these new standards to determine their effects on the Partnership's financial reporting. None of these are expected to have a significant effect on the Partnership's financial statements.

## **Going Concern**

The financial statements have been prepared on a going concern basis, which assumes that the Partnership will continue in operational existence for the foreseeable future which is at least twelve months from the date the financial statements are signed and be able to meet its liabilities as they fall due.

Although the LLP made a loss in the period, the business plans of the Partnership project for a return to profitability in 2019 and beyond. In addition, the LLP has sufficient regulatory surplus capital, and a strong liquidity position.

### **b. Members' interest**

Any profits are shared among the Members per the Partnership Agreement dated 1 November 2018, as amended from time to time. At the discretion of the Managing Member, each Member shall be entitled to take drawings from their distribution account in advance of profits being credited to this account. Loan contributions may also be made to the Partnership by any or all of the Members on such terms as to repayment, interest and otherwise as may be agreed between the managing member and the member making the loan contribution.

### **c. Cash and cash equivalents**

Cash for the purpose of the statement of cash flows, comprises money deposited with financial institutions that can be withdrawn without notice.

### **d. Functional and reporting currency**

The majority of the Partnership's balance sheet is denominated in Euros and so accordingly is the Statement of Comprehensive Income. The functional currency of the Partnership is therefore deemed to be the Euro, which is also adopted as the reporting currency.

### **e. Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into Euros at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Euros at the rate of exchange ruling at the date of the transaction. Exchange differences are included in the Statement of Other Comprehensive Income.

### **f. Income recognition**

Income represents management fees earned for the supply of services. These fees are accounted for on an accruals basis. Accordingly management fees are only recognised by the partnership and settled when the vehicle is sufficiently liquid and where various performance criteria are fulfilled. The timing of payments can therefore vary although, when not paid out, the

# Notes to the financial statements



*(forming part of the financial statements)*

fees continue to accrue to the fund. It will only be known for certain that the fees will be paid where the fulfilment of the criteria is confirmed at the determination date which is the date at which the amounts due under the management contracts are calculated. The date varies between each of the vehicles. Fees will only be recognised once the criteria have been confirmed and a payment to the Partnership is probable.

## **g. Management fee rebates**

Management fee rebates, where applicable, are determined based on a negotiated rate between the Partnership and third-party investors.

## **h. Interest income and expenses**

Interest income and expense represents interest arising out of investment and borrowing activities, including debt securities. Interest income and expense is recognised in the income statement using the effective interest rate method.

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

## **i. Financial assets - Policy applicable prior to 1 January 2018**

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

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

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

## **j. Financial assets - Policy applicable from 1 January 2018**

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

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

### **Financial assets measured at amortised cost**

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

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

# Notes to the financial statements



*(forming part of the financial statements)*

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

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

- contingent events that would change the amounts and timing of cash flows;
- prepayment and extension terms;
- leverage features;
- terms that limit the Company's claim to cash flows from specified assets;
- features that modify consideration of the time value of money; and
- the exposure to credit risk in the underlying pool of financial instruments held by each CLO.

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

All other financial assets are classified as measured at FVTPL.

### **k. Administrative Expenses**

Administrative expenses are comprised of amounts that relate to the provision of investment management services undertaken by the LLP. The expenses are either incurred directly by the partnership or are recharged by fellow subsidiaries.

## **2. Financial Risk Management**

The Partnership follows the financial risk management policies of a fellow subsidiary, N M Rothschild & Sons Limited.

### **a. Credit risk**

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

Exposure to credit risk is managed by detailed analysis of client and counterparty creditworthiness prior to entering into an exposure, and by continued monitoring thereafter. For internal monitoring purposes, credit exposure on loans and debt securities is measured as the principal amount outstanding plus accrued interest. The Credit Committee reviews credit exposures on debt securities on a period basis. Financial assets subject to significant exposure to credit risk at the financial reporting date are all classified as Category 1, meaning exposures where the payment of interest or principal is not in doubt.

# Notes to the financial statements

(forming part of the financial statements)



## Credit risk concentrations

The Partnership monitors concentrations of credit risk by geographic location and by industry sector. The following tables show an analysis of credit risk by location and by sector. The location of debt securities is determined by reference to the location of the issuer of the security.

Credit risk by location	UK and Channel Islands €	Other Europe €	US and Canada €	Other €	Total €
<b>At 31 December 2018</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1,806,971	-	-	-	1,806,971
Debt securities	-	52,989,350	13,018,526	-	66,007,876
Loan to fellow subsidiary	5,480,000	-	-	-	5,480,000
Receivables	108,107	9,224,280	65,203	70,240	9,467,830
<b>Total</b>	<b>7,395,078</b>	<b>62,213,630</b>	<b>13,083,729</b>	<b>70,240</b>	<b>82,762,677</b>
<b>At 31 December 2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	92,574	-	-	-	92,574
Debt securities	-	32,886,492	12,484,998	-	45,371,490
Receivables	5,499,251	6,353,068	30,702	-	11,883,021
<b>Total</b>	<b>5,591,825</b>	<b>39,239,560</b>	<b>12,515,700</b>	<b>-</b>	<b>57,347,085</b>

	31 December 2018 €	31 December 2017 €
<b>Credit risk by industry sector</b>		
<b>Financial assets</b>		
Financial	82,762,677	57,347,085
<b>Total</b>	<b>82,762,677</b>	<b>57,347,085</b>

## b. Market risk

Market risk comprises interest rate, foreign exchange and equity position risk.

### Equities

The Partnership has exposure to equity price risk through holdings of equity investments. Each position is approved by senior management and is monitored on an individual basis. The equity positions relate to B shares held in investment vehicles for which the Partnership provides Investment Management services. The shares are held for purposes of the payment of performance fees, should they fall due.

# Notes to the financial statements

(forming part of the financial statements)



## Currency risk

The Partnership's exposure to the effects of fluctuations in foreign exchange rates on its financial position and cash flows is considered to be minimal. The table below summarises exposures to foreign exchange rate risk.

	31 December 2018	31 December 2017
USD	€	€
Cash and cash equivalents	132,232	-
Debt securities	13,014,652	12,484,998
Receivables, other assets & payables	211,422	(4,936,485)
Intra-group borrowing	(5,353,870)	-
Bank borrowing	(8,107,541)	(7,703,809)
Available-for-sale reserve	-	253,115
(Short) / Long	(103,105)	97,819

	31 December 2018	31 December 2017
GBP	€	€
Cash and cash equivalents	52,960	-
Receivables & Payables	(115,509)	38,686
Long	(62,549)	38,686

	31 December 2018	31 December 2017
CHF	€	€
Receivables & Payables	(7,826)	-
Long	(7,826)	-

	31 December 2018	31 December 2017
DKK	€	€
Receivables & Payables	(139,112)	-
Long	(139,112)	-

If the value of the USD increased by 1 per cent against Euro, then there would be a pre-tax loss to the income statement of €1,031 (31 December 2017: pre-tax gain of €978). If the value of the GBP increased by 1 per cent against Euro, there would be a pre-tax loss to income statement of €625 (31 December 2017: pre-tax gain of €387). If the value of the CHF increased by 1 per cent against Euro, there would be a pre-tax loss to income statement of €78 (31 December 2017: €nil). If the value of the DKK increased by 1 per cent against Euro, there would be a pre-tax loss to income statement of €1,391 (31 December 2017: €nil).

## Interest rate risk

Based on amounts outstanding at the period, an increase in interest rates of 0.5% would result in an increase in the net interest income of €128,823; a decrease in interest rates of 0.5% would result in a decrease in net interest income of €25,766.



# Notes to the financial statements



(forming part of the financial statements)

## c. Liquidity risk

Liquidity risk is the risk that the Partnership is unable to meet its obligations as they fall due or that it is unable to fund its commitments. The Partnership's policy is to ensure that it has sufficient resources to meet its financial commitments as they are expected to fall due. The table below analyses the Partnership's financial assets and liabilities based on contractual maturity at the balance sheet date.

	Demand/ next day €	2 days – 3m €	3m-1yr €	> 1 yr €	Total €
<b>At 31 December 2018</b>					
Cash and cash equivalents	1,806,971	-	-	-	1,806,971
Loan to fellow subsidiary	-	-	-	5,480,000	5,480,000
Debt securities	-	316,271	-	65,691,605	66,007,876
Equity securities	-	-	-	27,500	27,500
Receivables	9,467,830	-	-	-	9,467,830
<b>Total</b>	<b>11,274,801</b>	<b>316,271</b>	<b>-</b>	<b>71,199,105</b>	<b>82,790,177</b>
Payables	(12,273,902)	-	-	-	(12,273,902)
Loan from fellow subsidiary	-	(19,581)	-	(37,868,612)	(37,888,193)
Due to Banks	-	(76,781)	-	(8,030,792)	(8,107,573)
<b>Total</b>	<b>(12,273,902)</b>	<b>(96,362)</b>	<b>-</b>	<b>(45,899,404)</b>	<b>(58,269,668)</b>
<b>At 31 December 2017</b>					
Cash and cash equivalents	92,574	-	-	-	92,574
Debt securities	-	249,057	-	45,122,433	45,371,490
Equity securities	-	-	-	27,500	27,500
Receivables	11,883,021	-	-	-	11,883,021
<b>Total</b>	<b>11,975,595</b>	<b>249,057</b>	<b>-</b>	<b>45,149,933</b>	<b>57,374,585</b>
Payables	(10,099,706)	-	-	-	(10,099,706)
Loan from fellow subsidiary	-	(4,104)	-	(10,586,085)	(10,590,189)
Due to Banks	-	(79,254)	-	(16,949,883)	(17,029,137)
<b>Total</b>	<b>(10,099,706)</b>	<b>(83,358)</b>	<b>-</b>	<b>(27,535,968)</b>	<b>(37,719,032)</b>

## d. Fair value of financial assets and liabilities

Fair value is the price that would be received on selling an asset or paid to transfer a liability in an orderly transaction between market participants. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists (such as a recognised exchange), as this is the best evidence of the fair value of a financial instrument. Market prices are not, however, available for certain assets and liabilities held. Where no active market price or rate is available, fair values are determined using discounted cashflows. The values derived from this form of modelling are significantly affected by judgements and assumptions made concerning factors such as the amounts and timing of future cashflows, discount rates and credit quality.

# Notes to the financial statements



(forming part of the financial statements)

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

- **Cash and cash equivalents.** The fair value is materially the same as the carrying value due to their short term nature.
- **Receivables and payables.** Fair value is considered to be the same as carrying value for these.
- **Debt and equity securities.** These are carried in the balance sheet at fair value, usually determined using market data. Debt securities or unlisted equity securities for which no price is available are valued by discounting expected cashflows at market interest rates adjusted for appropriate credit spreads or using other valuation techniques.
- **Loans to/from parent companies.** The fair value of each interest-bearing tranche is considered to be the same as the carrying value since it is based on short-term variable rates. For other non-interest bearing facilities these are valued on a discounted cash-flow basis.

The tables below analyse the fair value of assets and liabilities according to a three level valuation hierarchy, whereby the valuation level is determined using the following criteria:

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

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from market data to a significant extent).

**Level 3:** Inputs for the asset or liability that are not based primarily on observable market data (unobservable inputs).

## Financial assets and liabilities carried at fair value

	Carrying value equal to fair value €	Fair value €	Measured using		
			Level 1	Level 2	Level 3
			€	€	€
At 31 December 2018					
Financial assets					
Equity securities	27,500	27,500	-	27,500	-
Debt securities – fair value through profit and loss	9,324,646	9,324,646	-	9,324,646	-
Total	9,352,146	9,352,146	-	9,352,146	-
At 31 December 2017					
Financial assets					
Equity securities	27,500	27,500	-	27,500	-
Debt securities	45,371,490	45,371,490	-	43,510,513	1,860,977
Total	45,398,990	45,398,990	-	43,538,013	1,860,977

# Notes to the financial statements

(forming part of the financial statements)



## Financial assets and liabilities carried at amortised cost

	Carrying value	Fair value	Measured using		
	€	€	Level 1	Level 2	Level 3
	€	€	€	€	€
<b>At 31 December 2018</b>					
<b>Financial assets</b>					
Cash and cash equivalents	1,806,971	1,806,971	-	1,806,971	-
Debt securities – measured at amortised cost	56,683,230	56,052,324	-	56,052,324	-
Loan to fellow subsidiary	5,480,000	5,293,664	-	5,293,664	-
Receivables	9,467,830	9,467,830	-	9,467,830	-
<b>Total</b>	<b>73,438,031</b>	<b>72,620,789</b>	<b>-</b>	<b>72,620,789</b>	<b>-</b>
<b>Financial liabilities</b>					
Due to Banks	(8,107,573)	(8,107,573)	-	(8,107,573)	-
Payables	(12,273,902)	(12,273,902)	-	(12,273,902)	-
Loans from fellow subsidiary	(37,888,193)	(37,304,340)	-	(37,304,340)	-
<b>Total</b>	<b>(58,269,668)</b>	<b>(57,685,815)</b>	<b>-</b>	<b>(57,685,815)</b>	<b>-</b>
<b>At 31 December 2017</b>					
<b>Financial assets</b>					
Cash and cash equivalents	92,574	92,574	-	92,574	-
Receivables	11,883,021	11,883,021	-	11,883,021	-
<b>Total</b>	<b>11,975,595</b>	<b>11,975,595</b>	<b>-</b>	<b>11,975,595</b>	<b>-</b>
<b>Financial liabilities</b>					
Due to Banks	(17,029,137)	(17,029,137)	-	(17,029,137)	-
Payables	(10,099,706)	(10,099,706)	-	(10,099,706)	-
Loans from fellow subsidiary	(10,590,189)	(10,590,189)	-	(10,590,189)	-
<b>Total</b>	<b>(37,719,032)</b>	<b>(37,719,032)</b>	<b>-</b>	<b>(37,719,032)</b>	<b>-</b>

## Assets measured at fair value based on Level 3

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

	Year to 31 December 2018 €	9 months to 31 December 2017 €
Opening balance	1,860,977	1,955,865
Reclassification to Level 2	(1,860,977)	-
Total gains and (losses) through other comprehensive income	-	(68,319)
Movements in accrued interest	-	359
Disposal	-	(26,928)
<b>Closing Balance</b>	<b>-</b>	<b>1,860,977</b>

The amount recognised in the income statement includes €nil (period to 31 December 2017: €101,044) in respect of assets held at the end of the reporting period. During the period market prices were made available to the Partnership for the purpose of valuing the tranche previously held at Level 3 and has therefore been reclassified to Level 2.

# Notes to the financial statements



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## e. Capital management

The Partnership's capital management policy is to ensure it is strongly capitalised and compliant with regulatory requirements. The Partnership's regulator is the Financial Conduct Authority ("FCA") which sets and monitors capital requirements for UK regulated financial institutions. The minimum regulatory capital is derived from a combination of the requirements from Pillar 1 and Pillar 2 rules. Pillar 1 sets out the minimum capital requirements. Pillar 2 lays down a supervisory review process to evaluate an institution's own internal processes to assess its own capital needs including capital for risks not covered by Pillar 1. Processes are in place to ensure compliance with the minimum capital requirements. The table below summarises the composition of regulatory capital as reported to the regulator:

	31 December 2018	31 December 2017
	€	€
<b>Tier 1 capital</b>		
Members' capital	27,699,791	19,171,686
Other (deductions) / eligible capital	(1,358,508)	140,629
<b>Total tier 1 capital</b>	<b>26,341,283</b>	<b>19,312,315</b>

During the period, an additional capital injection took place of €8,528,105.

## 3. Administrative Expenses

	31 December 2018	31 December 2017
	€	€
Administrative expenses	(28,218,602)	(8,668)
	<b>(28,218,602)</b>	<b>(8,668)</b>

Administrative expenses are comprised of amounts that relate to the provision of investment management services undertaken by the Partnership.

## 4. Audit Fee

The fee receivable by the auditors and their associates in respect of the audit of these financial statements is €16,872 (9 months to 31 December 2017: €10,548). The fee is paid on a group basis by N M Rothschild & Sons Limited.

## 5. Cash and cash equivalents

	31 December 2018	31 December 2017
	€	€
Cash held at a fellow subsidiary Bank – Rothschild & Co Bank International	1,806,971	92,574
	<b>1,806,971</b>	<b>92,574</b>

Cash is held on deposit at Rothschild & Co Bank International, interest is charged at the prevailing rate of each respective currency.

## 6. Loan to fellow subsidiary

	31 December 2018	31 December 2017
	€	€
Loan to Rothschild & Co Credit Management Limited	5,480,000	-

# Notes to the financial statements

(forming part of the financial statements)



## 7. Debt securities

	31 December 2018	31 December 2017
	€	€
Debt securities – available-for-sale	-	45,122,433
Accrued Interest on debt securities - available-for-sale	-	249,057
Debt securities – amortised cost	56,502,822	-
Accrued Interest on debt securities - amortised cost	180,408	-
Debt securities – fair value through profit and loss	9,188,783	-
Accrued Interest on debt securities - fair value through profit and loss	135,863	-
	<b>66,007,876</b>	<b>45,371,490</b>

The movement can be analysed as follows:

	Year to 31 December 2018	9 months to 31 December 2017
	€	€
<b>At beginning of period:</b>	<b>45,371,490</b>	<b>29,634,358</b>
Transition to IFRS 9	(216,748)	-
Additions	34,308,650	17,581,436
Disposals	(14,162,978)	-
Losses from changes in fair value through available-for-sale reserve	-	(219,000)
Net changes in fair value recognised through profit and loss	640,248	(1,683,481)
Changes in accrued interest	67,214	58,177
<b>At end of period:</b>	<b>66,007,876</b>	<b>45,371,490</b>

It is the policy of the Partnership to value Debt securities using third party deal-arranger prices, where available.

## 8. Equity securities

	31 December 2018	31 December 2017
	€	€
Equity securities	27,500	27,500

Equity securities can be analysed as follows:

	31 December 2018	31 December 2017
	€	€
Unlisted	27,500	27,500

The movement can be analysed as follows:

	Year to 31 December 2018	9 months to 31 December 2017
	€	€
<b>At beginning of period:</b>	<b>27,500</b>	<b>-</b>
Additions	-	27,500
<b>At end of period:</b>	<b>27,500</b>	<b>27,500</b>

## 9. Receivables

	31 December 2018	31 December 2017
	€	€
Amounts due from fellow subsidiaries	5,464,510	9,542,505
Unsettled distribution of management fees from 3 <sup>rd</sup> parties	4,003,320	2,340,516
	<b>9,467,830</b>	<b>11,883,021</b>

# Notes to the financial statements

(forming part of the financial statements)



## 10. Other assets

	31 December 2018	31 December 2017
	€	€
Rechargeable expenses	1,820,774	-
	<b>1,820,774</b>	<b>-</b>

## 11. Payables

	31 December 2018	31 December 2017
	€	€
Trade creditors and accruals	199,922	525,358
Amounts due to other group companies	12,073,980	9,574,348
	<b>12,273,902</b>	<b>10,099,706</b>

## 12. Due to Banks

	31 December 2018	31 December 2017
	€	€
Due to Banks	8,107,573	17,029,137

The following table shows the contractual cash flows payable by the Partnership. Interest cashflows on the loan are based upon the rates prevailing at the period end.

	Demand-3m	3m – 1yr	1 yr – 5 yr	5 yr >	Total
	€	€	€		€
Due to Banks	67,800	203,400	8,573,192	-	8,844,392

## 13. Loans from fellow subsidiaries

	31 December 2018	31 December 2017
	€	€
Loan from Rothschild & Co Continuation Limited – Nominal - €32,515k	32,534,322	10,590,189
Loan from Rothschild & Co Credit Management Limited – Nominal - \$6,124k	5,353,871	-
	<b>37,888,193</b>	<b>10,590,189</b>

The following table shows the contractual cash flows payable on the loan. Interest cash-flows are estimated and shown up to 5 years only.

	Demand-3m	3m – 1yr	1 yr – 5 yr	5 yr >	Total
	€	€	€	€	€
Loan from Rothschild & Co Continuation Limited	85,257	255,771	1,364,367	32,514,742	34,220,137
Loan from Rothschild & Co Credit Management Limited	-	-	5,353,871	-	5,353,871

# Notes to the financial statements



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## 14. Related Party Transactions

Parties are considered to be related if one party controls, is controlled by or has the ability to exercise significant influence over the other party. This includes key management personnel, the parent companies, subsidiaries and fellow subsidiaries. The Members did not receive any remuneration in respect of their services to the Partnership. Amounts receivable and payable from the parent companies were as follows:

	31 December 2018 €	31 December 2017 €
Receivable from Rothschild & Co Credit Management Limited	-	5,480,000
Loan to Rothschild & Co Credit Management Limited	5,480,000	-
Loan from Rothschild & Co Credit Management Limited	(5,353,871)	-
Loan from Rothschild & Co Continuation Limited	(32,534,322)	(10,590,189)
Payable to Rothschild & Co Credit Management Limited	-	(5,099,931)

Amounts receivable and payable from other related subsidiaries at the year-end were as follows:

	31 December 2018 €	31 December 2017 €
Payable to other subsidiaries	(12,073,980)	(4,474,417)
Receivable from other subsidiaries	5,464,510	4,062,505

The partnership held cash balances with the following other related subsidiaries

	31 December 2018 €	31 December 2017 €
Cash on deposit with Rothschild & Co Bank International	1,806,971	92,574

Amounts recognised in the statement of comprehensive income in respect of the parent companies were as follows:

	31 December 2018 €	31 December 2017 €
Service fee expense to N M Rothschild & Sons Limited	-	8,462,768
Interest expense to N M Rothschild & Sons Limited	-	28,174
Distributions to Rothschild & Co Credit Management Limited	-	659,075
Interest expense to Rothschild & Co Continuation Limited	213,632	4,104

Amounts recognised in the statement of comprehensive income in respect of fellow subsidiaries were as follows:

	31 December 2018 €	31 December 2017 €
Management fee income from other subsidiaries	17,180,895	4,516,806
Administrative expenses from other subsidiaries	28,425,938	-
Interest expense to other subsidiaries	9,653	8,926

## 15. Parent Undertaking and Ultimate Holding Company

The largest group in which the results of the Partnership are consolidated is that headed by Rothschild & Co Concordia SAS, incorporated in France, and whose registered office is at 23bis, avenue de Messine, 75008 Paris. The smallest group in which they are consolidated is that headed by Rothschild & Co SCA, a French public Limited partnership whose registered office is also at 23bis, avenue de Messine, 75008 Paris. The accounts are available on Rothschild & Co website at [www.rothschildandco.com](http://www.rothschildandco.com).

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

The Partnership's registered office is located at New Court, St Swithin's Lane, London EC4N 8AL. The registered number of the Partnership is OC302492.

# Notes to the financial statements

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## 16. Transition to IFRS 9 on 1 January 2018

### a) Classification of financial assets and liabilities

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

	Original classification under IAS 39	New classification under IFRS 9	Original carrying value under IAS 39	New carrying value under IFRS 9
Note				
<b>Financial assets</b>				
Cash and cash equivalents	Loans and receivables	Amortised cost	92,574	92,574
Debt securities	AFS	FVTPL	7,248,059	7,248,059
Debt securities	AFS	Amortised cost	38,123,431	37,906,683
Equity securities	AFS	FVTPL	27,500	27,500
Trade and other receivables	Loans and receivables	Amortised cost	11,883,021	11,883,021
<b>Total financial assets</b>			<b>57,374,585</b>	<b>57,157,837</b>
<b>Financial liabilities</b>				
Due to banks	Amortised cost	Amortised cost	17,029,137	17,029,137
Due to group companies	Amortised cost	Amortised cost	10,590,189	10,590,189
Trade and other payables	Amortised cost	Amortised cost	10,099,706	10,099,706
<b>Total financial liabilities</b>			<b>37,719,032</b>	<b>37,719,032</b>



# Notes to the financial statements

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## b) Impact of transition to IFRS 9

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

	IAS 39 Balance Sheet 31 December 2017 €	Classification and measurement changes €	Expected credit loss €	IFRS 9 Balance Sheet 1 January 2018 €
<b>Assets</b>				
Cash	92,574	-	-	92,574
Debt securities – available-for-sale	45,371,490	(45,371,490)	-	-
Debt securities – amortised cost	-	37,907,494	(811)	37,906,763
Debt securities – fair value through profit and loss	-	7,248,059	-	7,248,059
Equity securities – available-for-sale	27,500	(27,500)	-	-
Equity securities – fair value through profit and loss	-	27,500	-	27,500
Receivables	11,883,021	-	-	11,883,021
<b>Total assets</b>	<b>57,374,585</b>	<b>(215,937)</b>	<b>(811)</b>	<b>57,157,837</b>
<b>Liabilities</b>				
Due to banks	17,029,137	-	-	17,029,137
Due to group companies	10,590,189	-	-	10,590,189
Payables	10,099,706	-	-	10,099,706
<b>Total liabilities</b>	<b>37,719,032</b>	<b>-</b>	<b>-</b>	<b>37,719,032</b>
<b>Equity</b>				
Members' capital	19,171,686	-	-	19,171,686
Retained earnings	798,568	(586,192)	(811)	211,565
Available-for-sale reserve	(370,255)	370,255	-	-
Other reserves	55,554	-	-	55,554
<b>Total equity</b>	<b>19,655,553</b>	<b>(215,937)</b>	<b>(811)</b>	<b>19,438,805</b>
<b>Total equity and liabilities</b>	<b>57,374,585</b>	<b>(215,937)</b>	<b>(811)</b>	<b>57,157,837</b>

## c) Reclassification of financial assets to amortised cost

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

	€
Fair value as at 31 December 2018	38,123,431
Fair value (loss) that would have been recognised during the year if the financial asset had not been reclassified	(83,970)