N M Rothschild & Sons Limited

Annual Report & Accounts for the nine months to 31 December 2017

Registered number: 00925279

Rothschild

Contents

Strategic report

Principal activities

N M Rothschild & Sons Limited ("NMR" or "the Company") is the main UK operating subsidiary of Rothschild & Co SCA, the French listed parent company. The principal activity of the Company is Global Advisory, which focuses on M&A advisory, and Financing Advisory encompassing debt, restructuring and equity advisory. Alongside our UK advisory business, NMR owns 50.01% of Rothschild Europe BV and 100% of Rothschild Australia Limited. The remaining 49.99% of Rothschild Europe BV is owned by Rothschild Martin Maurel, the Rothschild & Co Group's principal operating business in France.

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

Strategic developments

NMR's strategy continues to concentrate on developing its advisory business whilst it reduces its legacy banking exposures. The Global Advisory business continues to perform very well and the Rothschild & Co Group has maintained its leading market position and is again ranked 1st globally and in Europe by number of completed and announced transactions in 2017. NMR also provides support for the Rothschild & Co Group's other activities.

Since the period end, the FCA has approved NMR's application for the varying of NMR's regulatory permissions and the Company is designated as an "exempt CAD" firm. This ensures that NMR has the appropriate regulatory permissions for the advisory business.

Change of financial year end

Rothschild & Co SCA announced on 21 March 2017 that it would change its financial year end from 31 March to 31 December. NMR has changed its year end in line with this and, consequently, this set of financial statements is for the 9 month period ended 31 December 2017. The comparative figures for the Company's income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes are for the 12 months from 1 April 2016 to 31 March 2017.

Results overview

A summarised income statement is included within this strategic report and includes the results for the 9 months to December 2017 on an illustrative, grossed-up, annualised basis to aid comparison with the 12 months to March 2017.

Profit before tax for the 9 months to 31 December 2017 was £43.2m compared to £73.7m for the 12 months to 31 March 2017 which on an annualised basis equates to a fall of 21.8%. Net operating income was £260.9m which, when annualised, is 5.8% lower than the £369.1m for the year to 31 March 2017.

	9m to Dec 2017 £m	***Annual basis £m***	**12m to Mar 2017 £m**	***Variance %***
Net fee income	231.5	*308.7*	337.0	*(8.4)*
Net interest Income	3.1	*4.2*	4.8	*(13.5)*
Dividend income	14.3	*19.0*	32.5	*(41.5)*
Other income	11.9	*15.8*	8.6	*84.2*
Total operating income	**260.8**	***347.7***	**382.9**	***(9.1)***
Impairments	0.1	*0.1*	(13.8)	*100.9*
Net operating income	**260.9**	***347.8***	**369.1**	***(5.8)***
Operating expenses	(217.7)	*(290.2)*	(295.4)	*1.8*
Profit before tax	**43.2**	***57.6***	**73.7**	***(21.8)***
Tax	(6.5)	*(8.7)*	(11.7)	*25.2*
Profit after tax	**36.7**	***48.9***	**62.0**	***(21.2)***

Net fee income remained robust. Net fees for the Global Advisory business were 10% lower at £214.2m on an annualised basis but this compares to the record levels achieved in the year to 31 March 2017.

Other operating income increased to £11.9m mainly due to the sale of legacy banking available-for-sale debt securities and the revaluation of Rothschild & Co shares held to hedge share-based remuneration. Other fee income and dividend income (net of related impairment in the prior year) were also ahead of the prior year on a comparable basis.

Operating expenses were £217.7m which is 1.8% lower than the prior year on an annualised basis. Administration expenses increased by 4.6% and while staff costs have reduced with the lower revenues, the compensation ratio has increased to 69.6% from 68.2% in part due to underlying remuneration levels marginally increasing as a proportion of revenue and also due to the 9 month period effect. This was also negatively impacted by £6.0m due to the accounting for deferred bonuses relating to prior years and £4.4m relating to the share-based remuneration (not offset against other operating income).

Key Performance Indicators	9m to Dec 2017	12m to March 2017
Profit before tax (£m)	43.2	73.7
Net fee income (£m)	231.5	337.0
Compensation ratio*	69.6%	68.2%
Net legacy banking book exposure (£m)	43.1	86.0
Total capital ratio	77.5%	50.7%

*Compensation ratio is ongoing staff costs as a proportion of total operating income adjusted to exclude intra-group dividends and to include recharges of expenses to other Group entities. Staff costs exclude redundancy payments, those staff costs related to the purchase of a subsidiary (see note 15) and the revaluation of share-based employee liabilities.

Balance sheet

Progress has been made to reduce the balance sheet. The legacy banking book has reduced further and now stands at £43.1m net of provisions, £42.9m lower than at 31 March 2017. As the legacy book reduced, lending to Group companies increased by £26.5m to £87.4m as NMR used surplus liquidity to support the wider Group. At 31 December 2017 the balance sheet remained very liquid at £364.6m which includes loans with banks, UK Government debt securities and AAA rated money market funds.

However, we have been required to revalue an available-for-sale investment in the Group company which owns the New Court building and leases it to NMR. The value of the property has increased due to lower yields on central London properties and the length of the lease with NMR. This has resulted in a £60.5m increase in the value of NMR's investment. Despite this increase in value, NMR's balance sheet still reduced by £20.6m to £857.5m.

Capital and dividends

Over the period, total equity increased by £36.1m to £594.2m after the payment of £55m of dividends (an interim dividend of £30m in respect of the year to 31 March 2017 and an interim dividend of £25m for the period to 31 December 2017). The Company's total capital ratio at 31 December 2017 has improved to 77.5% and continues to be well above regulatory requirements. Details of these requirements are disclosed in note 2.6 to the accounts.

Governance and risk management

NMR is an integral part of the wider Rothschild & Co Group and, as such, the governance and risk management framework operates within the overall Rothschild & Co Group structure, whilst ensuring that the requirements of the Company are fully covered. The key governance committees to which the NMR Board has delegated authority are summarised on pages 6 and 7.

The Group Chief Risk Officer co-ordinates policy and promotes the development and maintenance of effective risk management procedures throughout the Rothschild & Co Group. Alongside this, the Group Internal Audit team reviews the internal control framework and reports its findings to the Rothschild & Co Group Audit Committee, as well as reporting NMR matters to the NMR Board.

Principal risks and uncertainties

From the Company's perspective, the principal risks and uncertainties are integrated with the principal risks of the Rothschild & Co Group and are not managed separately. The key uncertainties to which the Company is exposed are the macroeconomic conditions in the markets in which we operate as well as changes in the regulatory environment. The key risks arise in relation to pension fund, regulatory, reputational, technology and other operational factors. NMR's exposure to credit, liquidity and market risks continues to reduce and further information regarding financial risk management and use of financial instruments is disclosed in note 2 to the accounts. For a business such as ours, loss of key personnel is a material risk which the Company seeks to mitigate through training, career development and remuneration policies.

Outlook

The Rothschild & Co Group maintains its position as one of the leading global advisers. Conditions for M&A are relatively positive and we therefore expect activity to continue at similar levels, albeit we remain alert to the risk of volatility.

By order of the Board

N Higgins

Nigel Higgins, Chief Executive Officer
N M Rothschild & Sons Limited
Registered number: 00925279
New Court, St Swithin's Lane, London EC4N 8AL
12 March 2018

Report of Directors

The Directors present their Directors' report and financial statements for the nine months ended 31 December 2017. An overview of the business and its performance is included in the strategic report.

Branches

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

Subsidiaries

In December 2017, the Company sold its investment in Rothschild Credit Management Limited to another Group subsidiary.

Dividends

During the nine months to December 2017, the Directors declared and paid dividends totalling £55,000,000 (year to March 2017: £50,000,000).

Going concern

The Directors are satisfied that, at the time of approving the financial statements, there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, as a result, the Directors continue to adopt the going concern basis in preparing the financial statements.

Directors

The Directors who held office during the period were as follows:

- Peter Smith (Non-executive Chairman)
- Anthony Alt (Deputy Chairman)
- Nigel Higgins (Chief Executive Officer)
- Peter Barbour
- Christopher Coleman
- Andrew Didham (Non-executive)
- Jonathan Westcott

Directors' indemnity

The Company has provided qualifying third-party indemnities for the benefit of its Directors. These were provided during the period and remain in force at the date of this report.

Corporate responsibility

The Company is committed to supporting the principle of equal opportunities and opposes all forms of unlawful or unfair discrimination on the grounds of colour, race, nationality, ethnic origin, gender, marital status, disability, religion, age or sexual orientation. The Company's aim is to recruit, train and promote the best person for the job and to create a working environment free from unlawful discrimination, victimisation and harassment, and in which all employees are treated with dignity and respect.

Our community investment ambition is to raise and realise the aspirations of young people from disadvantaged backgrounds. Offering a combination of skills-based employee volunteering and strategic financial contributions we pursue long term partnerships with charities, educational establishments and social enterprises which share our goals. We focus on helping disadvantaged young people to develop the skills that will help them to succeed at school and in the workplace, and on instilling in them the confidence to be more ambitious. In addition, we use our advisory skills to help social enterprises whose aims are aligned with ours to develop and transform their business models.

Employee information and employment policy

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

Report of Directors

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

Political donations

No political donations were made or political expenditure incurred during the period.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office for the next financial year.

Audit Information

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

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

By order of the Board

N Nigel Higgins

Nigel Higgins, Chief Executive Officer
N M Rothschild & Sons Limited
Registered number: 00925279
New Court, St Swithin's Lane, London EC4N 8AL
12 March 2018

Committees

To facilitate the efficient and effective administration of the Company's affairs, certain functions and responsibilities have been delegated by the NMR Board to the following committees, a number of which cover the wider Rothschild & Co ("R&Co") Group. The terms of reference and membership of these committees are regularly reviewed.

R&Co Group Committees	
R&Co Group Executive Committee The purpose of the Group Executive Committee is to formulate strategy for the Rothschild & Co Group's businesses, to assess the delivery of that strategy, to ensure the proper and effective functioning of Group governance structures, operating policies and procedures, to define the Group's risk appetite and to be responsible for the management of risk	**Membership** Nigel Higgins (Co-Chairman), Olivier Pécoux (Co-Chairman), Alexandre de Rothschild, Paul Barry, Mark Crump, Marc-Olivier Laurent, Robert Leitão, Richard Martin, Alain Massiera, Bruno Pfister, Gary Powell, Jonathan Westcott
R&Co Group Assets and Liabilities Committee This committee is responsible for monitoring and managing all balance sheet risks within the Group, overseeing all Treasury operations within the Group and having oversight of the Group Credit Committee	**Membership** Mark Crump (Chairman), Anthony Alt (Deputy Chairman), Peter Barbour, Christian Bouet, Christopher Coleman, Adam Greenbury, Richard Martin, David Oxburgh
R&Co Group Credit Committee - Corporate Credit Sub-Committee This committee is responsible for the management of corporate lending exposures (including credit risk and the pricing of loans). Exposures exceeding certain limits are subject to ratification by the R&Co Group Assets and Liabilities Committee	**Membership** Christopher Coleman (Chairman), Adam Greenbury, Peter Griggs, John King, Ian Walker, Nick Wood
New Client Acceptance Committee This committee approves, from a reputational, money laundering and due diligence perspective, all new NMR clients to be accepted by the Global Advisory business	**Membership** Jonathan Westcott (Chairman), Sarah Blomfield, Adam Greenbury, Nicholas Ivey, Luba Kotzeva de Diaz, Axel Stafflage, Albrecht Stewen, Stuart Vincent, William Wells, Adam Young
Committees of the Company which have oversight responsibilities	
NMR Balance Sheet & Treasury Committee This committee manages and monitors all matters relating to NMR and its subsidiaries' balance sheets and treasury matters	**Membership** Anthony Alt (Chairman), Peter Barbour, Christopher Coleman, Adam Greenbury, John King

Committees

R&Co Group Committees which have oversight responsibilities	
R&Co Group Audit Committee This committee supervises and reviews the Group's process of drawing up financial information, provides an appraisal of the relevance of accounting methods used to draw up individual and consolidated accounts, reviews internal audit arrangements, liaises with the R&Co Group's external auditors and monitors the overall system and standards of internal control	**Membership** Peter Smith (Chairman), André Lévy-Lang, Sylvain Héfès, Carole Piwnica
R&Co Group Remuneration and Nomination Committee This committee sets the principles and parameters of the remuneration policy for the Group, including the nature and scale of the Group's short and long-term incentive performance arrangements, supervises and reviews the principles of the remuneration policy applicable to regulated persons, oversees the annual remuneration review and approves proposals for promotion	**Membership** Sylvain Héfès (Chairman), André Lévy-Lang, Peter Smith, Luisa Todini
R&Co Group Risk Committee This committee advises on the overall current and future risk appetite and strategy, reviews the material risks of the Group and the total exposures of the Group's activities to such risk, reviews the Group's broad guidelines relating to risk management and the effectiveness of the risk management policies, and examines incentives provided by the remuneration policies and practices to ensure that they are consistent in the light of the risk, capital and liquidity, and likelihood and timing of expected earnings for entities	**Membership** Sipko Schat (Chairman), Daniel Daeniker, Arielle Malard de Rothschild

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

Opinion

We have audited the financial statements of NM Rothschild & Sons Limited (the "Company") for the period ended 31 December 2017 which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and Directors' report

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on page 5, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

Pamela McIntyre

Pamela McIntyre (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

12 March 2018

Income statement
for the nine months ended 31 December 2017

	Notes	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Fee and commission income	4	264,643	417,891
Fee and commission expense	4	(33,107)	(80,853)
Net fee and commission income		**231,536**	**337,038**
Interest and similar income	5	3,358	6,884
Interest expense and similar charges	5	(223)	(2,053)
Net interest income		**3,135**	**4,831**
Dividend income	6	14,255	32,486
Other operating income	7	11,878	8,597
Total operating income		**260,804**	**382,952**
Impairment gains/(losses) on loans and other credit risk provisions	11,12	94	939
Impairment of investment in subsidiary undertakings	15	-	(14,749)
Net operating income		**260,898**	**369,142**
Operating expenses	8	(215,084)	(291,628)
Depreciation	17	(2,586)	(3,797)
Profit before tax		**43,228**	**73,717**
Tax	10	(6,545)	(11,666)
PROFIT AFTER TAX		**36,683**	**62,051**
Attributable to:			
Ordinary shareholders		30,372	54,859
Holders of perpetual instruments		6,311	7,192
		36,683	**62,051**

The notes on pages 15 to 60 form an integral part of these financial statements

Statement of comprehensive income for the nine months ended 31 December 2017

	Notes	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Profit after tax		**36,683**	**62,051**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit pension funds	**20**	1,064	(5,393)
Income tax thereon	**10**	(181)	(856)
		883	**(6,249)**
Items that may be reclassified subsequently to profit or loss			
Change in fair value of assets classified as available-for-sale		2,295	8,411
Net change in fair value of available-for-sale financial assets *transferred to profit or loss*		56,877	(2,046)
Income tax on other comprehensive income	**10**	443	(557)
		59,615	**5,808**
Other comprehensive income for the period, net of income tax		**60,498**	**(441)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**97,181**	**61,610**
Attributable to:			
Ordinary shareholders		90,870	54,418
Holders of perpetual instruments		6,311	7,192
		97,181	**61,610**

The notes on pages 15 to 60 form an integral part of these financial statements

Balance sheet
as at 31 December 2017

	Notes	31 December 2017 £'000	31 March 2017 £'000
Assets			
Cash		9	16
Loans and advances to banks	11	165,358	159,420
Loans and advances - other	11	129,976	130,711
Debt and equity securities	12	341,555	352,748
Derivatives	13	823	942
Other assets	14	118,956	126,727
Investments in subsidiary undertakings	15	11,411	11,411
Investments in associates and joint ventures	16	30,280	30,280
Property, plant and equipment	17	30,068	32,542
Current tax assets		352	-
Deferred tax assets	19	28,684	33,258
Total assets		**857,472**	**878,055**
Liabilities			
Due to banks		1,974	32,613
Due to group companies		62,903	32,533
Derivatives	13	893	6
Other liabilities	18	54,934	72,860
Current tax liabilities		18	3,032
Accruals and deferred income		142,509	178,864
Total liabilities		**263,231**	**319,908**
Equity			
Share capital	27	57,655	57,655
Share premium account		97,936	97,936
Retained earnings		240,217	263,738
Other reserves		74,098	14,483
		469,906	**433,812**
Perpetual instruments	28	124,335	124,335
Total equity		**594,241**	**558,147**
TOTAL EQUITY AND LIABILITIES		**857,472**	**878,055**

The notes on pages 15 to 60 form an integral part of these financial statements

The accounts on pages 10 to 60 were approved by the Board of Directors on 5 March 2018 and were signed on its behalf by:

Peter Barbour, Director
12 March 2018

N M Rothschild & Sons Limited
Registered number: 00925279

Statement of changes in equity
for the nine months ended 31 December 2017

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

	Share capital £'000	Share premium £'000	Retained earnings £'000	Available-for-sale reserve £'000	Perpetual instruments £'000	Total equity £'000
At 1 April 2016	**57,655**	**97,936**	**264,781**	**8,675**	**124,335**	**553,382**
Profit after tax	-	-	54,859	-	7,192	62,051
Other comprehensive income (net of tax):						
Actuarial losses on defined benefit pension funds	-	-	(6,249)	-	-	(6,249)
Available-for-sale securities	-	-	-	5,808	-	5,808
Total comprehensive income	**-**	**-**	**48,610**	**5,808**	**7,192**	**61,610**
Dividends paid	-	-	(50,000)	-	-	(50,000)
Equity-settled share-based payments	-	-	347	-	-	347
Interest on perpetual instruments	-	-	-	-	(8,990)	(8,990)
- tax thereon	-	-	-	-	1,798	1,798
AT 31 MARCH 2017	**57,655**	**97,936**	**263,738**	**14,483**	**124,335**	**558,147**

The notes on pages 15 to 60 form an integral part of these financial statements

Cash flow statement
for the nine months ended 31 December 2017

	Notes	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Cash flow from operating activities			
Profit before tax		43,228	73,717
Adjustments to reconcile net profit to cash flow from operating activities			
Non-cash items included in net profit and other adjustments			
Depreciation	17	2,586	3,797
Dividends received from subsidiaries, associates and joint ventures	6	(11,707)	(29,311)
Impairment of financial assets (net of recovery)		(94)	13,810
Profit on disposal of loans and available-for-sale assets	7	(6,415)	(2,237)
Profit on disposal of fixed assets		(18)	-
Profit on disposal of subsidiary	15	(136)	-
Equity-settled share-based payments		224	347
		(15,560)	**(13,594)**
Net decrease/(increase) in operating assets and liabilities			
Derivatives		1,006	(114)
Debt and equity securities (excluding cash equivalents)*	12	77,435	140,981
Loans and advances - other	11	(172)	(6,267)
Other assets	14	7,771	(19,024)
Net due to / from banks (excluding cash equivalents)		(30,639)	24,153
Due to group companies		30,370	(232,838)
Accrued expenses and other liabilities		(53,217)	(4,689)
Income taxes (paid)/received (net)		(4,064)	(2,559)
		28,490	**(100,357)**
Net cash flow from/(used in) operating activities		**56,158**	**(40,234)**
Cash flow from/(used in) investing activities			
Acquisition of subsidiaries, associates and joint ventures	15,16	-	(4,578)
Dividends received from subsidiaries, associates and joint ventures	6	11,707	29,311
Proceeds from disposal of subsidiaries	15	136	-
Purchase of fixed assets	17	(114)	(456)
Proceeds from disposal of fixed assets		20	-
Net cash flow from investing activities		**11,749**	**24,277**
Cash flow used in financing activities			
Dividends paid	23	(55,000)	(50,000)
Interest paid on perpetual instruments	23	(7,322)	(8,990)
Net cash flow used in financing activities		**(62,322)**	**(58,990)**
Net increase/(decrease) in cash and cash equivalents		**5,585**	**(74,947)**
Cash and cash equivalents at beginning of period		339,057	414,004
Cash and cash equivalents at end of period*	24	344,642	339,057

*The prior year cash and cash equivalents figure has been restated as explained in note 24

Interest receipts and payments during the period were as follows:

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Interest received	3,497	7,384
Interest paid	237	7,849

The notes on pages 15 to 60 form an integral part of these financial statements

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

1 Summary of significant accounting policies

N M Rothschild & Sons Limited ("the Company") is a private company limited by shares and incorporated in England and Wales. The Company's registered office address is at New Court, St Swithin's Lane, London, EC4N 8AL.

Developments in reporting standards and interpretations

Standards affecting the financial statements

There were no new standards or amendments to standards that have been applied in the financial statements for the 9 months ended 31 December 2017.

New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for accounting periods ending after 31 December 2017 and therefore have not been applied in preparing these financial statements. The Company has reviewed these new standards to determine their effects on the Company's financial reporting. Those that may have a significant effect on the financial statements of the Company are:

Accounting standards first effective for accounting periods beginning on or after 1 January 2018

IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement and 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 most significant impact for the Company is to replace the current categorisation of financial assets (held-to-maturity, fair value through profit or loss, available-for-sale and loans and receivables) such that financial assets would only be measured at amortised cost or fair value, depending on the assets' contractual terms and the change in the approach for provisioning. Based on the position as at 31 December 2017, further impairment provisions will be required although these are not expected to be significant.

IFRS 15 Revenue from Contracts with Customers, which provides a principles-based framework for determining whether, how much and when revenue is recognised and replaces existing revenue standards. The main effect for the Company is that fees that are currently recognised on the completion of a significant act will in future be recognised when it is highly probable that the significant act will occur. This is not expected to have a significant impact on revenue recognition, based on the Company's current revenue streams.

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

IFRS 16 Leases, which introduces a single lessee accounting model whereby the classification of leases as either operating or financial leases is no longer relevant. Instead the standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months. Whilst the full implications of the new standard have still to be assessed, there are significant leases for the rental of property that have been entered into by the Company that are likely to require recognition in the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations endorsed by the European Union ("EU") and with those requirements of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared under the historical cost convention, except that available-for-sale investments, financial assets held for trading or designated as fair value through profit or loss and all derivative contracts are stated at their fair value.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

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

The principal accounting policies set out below have been consistently applied in the presentation of the financial statements.

Going concern

The Company's business activities, together with the principal risks and uncertainties, are set out in the strategic report. In addition, note 2 to the financial statements sets out the strategy and processes for managing the Company's capital and financial risks and provides details of its exposures to credit, market and liquidity risk. The Company has considerable financial resources and continues to generate new profitable business. It is well placed to manage its business risk for the foreseeable future despite an uncertain economic outlook.

There is, therefore, a strong expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

Investments in subsidiary undertakings

Subsidiary undertakings are all entities which are controlled by the Company. The Company 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiary undertakings are carried at cost less any impairment losses.

Associates and joint arrangements

An associated undertaking is an entity in which the Company has significant influence, but not control, over the operating and financial management policy decisions. This is generally demonstrated by the Company holding in excess of 20 per cent, but no more than 50 per cent, of the voting rights.

Joint arrangements are where two or more parties, through a contractual arrangement, have joint control over the assets and liabilities of an arrangement. Depending on what those rights and obligations are, the joint arrangement will either be a joint operation (where the parties subject to the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement) or a joint venture (where the parties subject to the arrangement have rights to the net assets of the arrangement). During the period, the Company only had interests in joint ventures.

Investments in associates and joint ventures are carried at cost less any impairment losses.

Foreign exchange

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions, and from the translation at period end exchange rates of monetary items that are denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates when the fair value was determined.

Translation differences on equities classified as at fair value through profit or loss are reported as part of the fair value gain or loss in the income statement. Translation differences on equities classified as available-for-sale are included in the available-for-sale reserve in equity.

Derivative financial instruments

Derivatives are entered into for risk management purposes and are measured at fair value, with transaction costs recorded immediately in the income statement. Subsequent to initial recognition, changes in fair value are recognised in the income statement.

Fee and commission income

The Company earns fee and commission income from services provided to clients. Fee income from advisory and other services can be divided into two broad categories: fees earned from services that are provided over a period of time, which are recognised over the period in which the service is provided; and fees that are earned on completion of a significant act or on the occurrence of an event, such as the completion of a transaction, which are recognised when the act is completed or the event occurs.

Fees and commissions that are an integral part of a loan, and loan commitment fees for loans that are likely to be drawn down, are deferred (together with related direct costs) and recognised over the life of the loan as an adjustment to the effective interest rate.

Interest income and expense

Interest income and expense represents interest arising out of lending and borrowing activities, interest on related hedging transactions and interest on debt securities. Interest income and expense is recognised in the income statement using the effective interest rate method.

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

Financial assets and liabilities

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

On initial recognition, IAS 39 requires that financial assets be classified into the following categories: at fair value through profit or loss, loans and advances, held-to-maturity investments, or available-for-sale. The Company does not hold any assets that are classified as held-to-maturity investments.

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

Financial assets at fair value through profit or loss

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

Loans and advances

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

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

Available-for-sale investments

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

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

Financial liabilities

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

Financial guarantee contracts

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

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

De-recognition

The Company derecognises a financial asset when:

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

Determination of fair value

The fair value of quoted investments in active markets is based on current bid prices. For other financial assets and liabilities, the Company establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, discounted cashflow analysis and other valuation methods commonly used by market participants. For certain investments, the valuation may be derived from quotations received from various sources. Where the market is illiquid, the quotations may not be supported by prices from actual market transactions. The fair value of short term debtors and creditors is materially the same as invoice value.

Impairment of financial assets

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

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

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

Impairment of loans and advances

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

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

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

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

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

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

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

Impairment of available-for-sale assets

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

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

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

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

Debt/equity classification

Under IFRS the critical feature in differentiating a debt instrument from an equity instrument is the existence of a contractual obligation of the Company to deliver cash (or another financial asset) to another entity. Where there is no such contractual obligation, the Company will classify the financial instrument as equity, otherwise it will be classified as a liability and carried at amortised cost. The terms of the perpetual debt instruments issued by the Company permit interest payments to be waived unless the Company has paid a dividend in the previous six months and are therefore considered to be equity.

Property, plant and equipment

All property, plant and equipment is stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset including, in respect of leasehold improvements, costs incurred in preparing the property for occupation.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to write down the cost of assets to their residual values over their estimated useful lives, as follows:

Computer equipment	2-10 years
Cars	3-5 years
Fixtures and fittings	3-10 years
Leasehold improvements	4-24 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These gains and losses are recognised in the income statement.

Impairment of property, plant and equipment

At each balance sheet date, or more frequently where events or changes in circumstances dictate, property, plant and equipment is assessed for indications of impairment. If such indications are present, those assets are subject to an impairment review. If impaired, the carrying values of assets are written down by the amount of any impairment and the loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount. The carrying amount of the fixed asset is only increased up to the amount that it would have been had the original impairment not been recognised.

Finance and operating leases

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, including treasury bills and investments in money market funds.

Pensions

The Company's post-retirement benefit arrangements are described in note 20. The Company operates a number of pension and other post-retirement benefit schemes, both funded and unfunded, of the defined benefit and defined contribution types. For defined contribution schemes, the contribution payable in respect of the accounting period is recognised in the income statement.

Re-measurement gains and losses in the defined benefit schemes are recognised outside the income statement and presented in the statement of comprehensive income. The amount recognised in the balance sheet in respect of defined benefit schemes is the difference, if any, between the present value of the defined benefit obligation at the balance sheet date and the fair value of the plan's assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The principal assumptions are set out in note 20. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liabilities.

Employee benefits

The Company operates profit share schemes for the benefit of employees. The costs of such schemes are recognised in the income statement over the period in which the services are rendered that give rise to the obligation. Where the payment of profit share is deferred until the end of a specified vesting period, the deferred amount is recognised in the income statement over the period up to the date of vesting.

The Company has entered into cash-settled share-based payment transactions as part of the long term profit share schemes. The fair value of such awards is independently measured at the date the awards are made and re-measured at each reporting date. Such awards are recognised in the income statement over the vesting period.

Share options are treated as equity-settled share-based payments. They are valued at the date they are granted to employees and that value is recognised in staff costs over the vesting period, with a corresponding adjustment to shareholders' equity. The fair value is calculated on the basis of the overall plan value at the date of grant. In the absence of any market for stock options, models are used to value the share-based payments. The only assumptions revised after the initial measurement, and hence resulting in a revaluation of the expense, are those relating to the probability that employees will leave the Rothschild & Co Group.

Taxation

Tax payable on profits and deferred tax are recognised in the income statement except to the extent that they relate to items that are recognised in equity, in which case the tax is also recognised in equity.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates and laws that are expected to apply when a deferred tax asset is realised, or when a deferred tax liability is settled.

Deferred tax assets, including the tax effects of income tax losses available for carry forward, are only recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is not provided on temporary differences arising from investments in subsidiary undertakings and associated undertakings, unless the timing of the reversal of the temporary difference is controlled by a third party or it is probable that the difference will reverse in the foreseeable future.

Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are declared by the Company's Board of Directors.

Provisions and contingencies

Provisions are recognised only when the Company has a present obligation (legal or constructive) as a result of past events. In addition, it must be probable that a transfer of economic benefits will be required to settle the obligation, and it must also be possible to make a reliable estimate of the amount of the obligation.

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed by one or more uncertain future events not wholly within the Company's control, or present obligations that are not recognised either because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be reliably estimated. Contingent liabilities are disclosed unless the possibility of a transfer of economic benefits is remote.

Accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies.

Valuation of financial assets and liabilities

Fair value is the price that would be received on selling an asset or paid to transfer a liability in an orderly transaction between market participants. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists (such as a recognised exchange), as this is the best evidence of the fair value of a financial instrument. Market prices are not, however, available for certain financial assets and liabilities held or issued by the Company. Where no active market price or rate is available, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions existing at the balance sheet date.

A description of the valuation techniques used, analysis of assets and liabilities carried at fair value by valuation hierarchy, and a sensitivity analysis of valuations not primarily based on observable market data, is provided in note 3 to the financial statements.

Impairment of financial assets

Assets are assessed at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is such objective evidence, and this has a negative effect on the estimated future cashflows from the asset, then an impairment loss is incurred. Management determines the size of the impairment allowance required using a range of factors such as the realisable value of any collateral, the likely recovery on liquidation or bankruptcy, the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations.

Portfolios of financial assets with similar economic characteristics where there is objective evidence to suggest that they contain impaired assets, but the individually impaired items cannot yet be identified, are collectively assessed for impairment. The collectively assessed impairment allowance is calculated on the basis of future cashflows that are estimated based on historical loss experience.

The accuracy of the allowances made depends on how accurately the Company estimates future cashflows for specific counterparties, in particular the fair value of any collateral, and the model assumptions and parameters used in determining provisions. While this necessarily involves judgement, the Company believes that its allowances and provisions are reasonable and supportable.

Pensions

The defined benefit obligation is calculated by independent actuaries using the projected unit credit method and the principal assumptions used are set out in note 20. The assumptions that have the greatest impact on the measurement of the pension fund liability, along with their sensitivities, are also set out in note 20.

Deferred tax

Deferred tax assets, including those in relation to tax losses carried forward, are only recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised. As part of the assessment of recoverability of deferred tax as at the balance sheet date, and using medium-term profit forecasts, the Company has considered the period over which sufficient taxable profits would arise to utilise the deferred tax assets. The UK government introduced restrictions on the utilisation of historic tax losses which affect the period over which the deferred tax assets will be utilised. Accordingly, to date, the Company has derecognised £6.5 million of deferred tax assets. The Company considers that there will be sufficient profits to utilise deferred tax assets that remain recognised on the balance sheet within a reasonable time frame.

2 Financial risk management

2.1 Key risks in using financial instruments

The key risks arising from the Company's activities involving financial instruments are as follows:

- Credit risk – the risk of loss arising from client or counterparty default;
- Market risk – exposure to changes in market variables such as interest rates, currency exchange rates, equity and debt prices; and
- Liquidity and funding risk – the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

2.2 Credit risk

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

Exposure to credit risk is managed by detailed analysis of counterparty creditworthiness prior to entering into an exposure, and by continued monitoring thereafter. A significant proportion of the Company's non-group lending exposures is secured on property or other assets and the Company monitors the value of this collateral. For internal monitoring purposes, credit exposure on loans and debt securities is measured as the principal amount outstanding plus accrued interest. Credit exposure on derivatives is measured as the current replacement value plus an allowance for the potential change in replacement value.

The Credit Committee reviews credit exposures on loans and debt securities on a quarterly basis and for this purpose they are classified as follows:

Category 1

Exposures where the payment of interest or principal is not in doubt and which are not designated categories 2 to 5.

Category 2

Exposures where the payment of interest or principal is not in doubt, but which require closer observation than usual due to some deterioration in the position of the client, for example: poor trading results; difficult conditions in the client's market sector; competitive or regulatory threats; or the potential impact from currency or other factors.

Category 3

Exposures where there has been further deterioration in the position of the client. Although the exposure is not considered to be impaired, the relationship requires close monitoring by the front office team.

Past due but not impaired

Exposures that have failed to make a scheduled interest or principal repayment although full recovery is expected.

Category 4

Exposures that are considered to be impaired and which carry a provision against part of the loan. Some recovery is expected to be made.

Category 5

Exposures that are considered to be impaired and which carry a full provision. No significant recovery of value is expected.

A Credit risk exposure

The tables below disclose the maximum exposure to credit risk at the reporting date for financial assets with significant exposure to credit risk, without taking account of collateral held or other credit risk mitigation. Accounts receivable are treated as past due when more than 90 days has elapsed since the invoice was issued.

	Category 1 £'000	Category 2 £'000	Category 3 £'000	Past due but not impaired £'000	Categories 4 and 5 £'000	Impairment allowance £'000	Total (net) £'000
At 31 December 2017							
Cash	9	-	-	-	-	-	9
Derivatives	823	-	-	-	-	-	823
Loans and advances to banks	165,358	-	-	-	-	-	165,358
Loans and advances - other	88,101	2,448	547	11,439	56,964	(29,523)	129,976
Debt securities	49,100	-	1,518	-	-	-	50,618
Commitments and guarantees	152,127	-	-	-	-	-	152,127
Other financial assets	78,323	-	-	22,472	782	(782)	100,795
TOTAL	**533,841**	**2,448**	**2,065**	**33,911**	**57,746**	**(30,305)**	**599,706**
At 31 March 2017							
Cash	16	-	-	-	-	-	16
Derivatives	942	-	-	-	-	-	942
Loans and advances to banks	159,420	-	-	-	-	-	159,420
Loans and advances - other	62,094	2,448	16,503	11,258	69,044	(30,636)	130,711
Debt securities	68,030	-	324	-	2,145	(938)	69,561
Commitments and guarantees	162,510	-	-	-	-	-	162,510
Other financial assets	90,689	-	-	19,544	3,081	(3,081)	110,233
TOTAL	**543,701**	**2,448**	**16,827**	**30,802**	**74,270**	**(34,655)**	**633,393**

The table below analyses amounts past due but not impaired:

	Past due by < 6 months £'000	Past due by > 6 months £'000	Total £'000
At 31 December 2017			
Loans and advances - other	-	11,439	11,439
Other financial assets	10,088	12,384	22,472
TOTAL	**10,088**	**23,823**	**33,911**
At 31 March 2017			
Loans and advances - other	-	11,258	11,258
Other financial assets	10,107	9,437	19,544
TOTAL	**10,107**	**20,695**	**30,802**

B Collateral

All non-group commercial lending is secured. This collateral is split by type, as either specific or general.

Specific collateral is readily identifiable, the majority of which will be charges over property. If necessary, there is a realistic possibility of both taking possession of and realising the collateral.

General collateral will be more difficult to both identify and realise. It will usually be a general floating charge over the assets of a business, and is typically attached to leveraged finance assets. It is not practicable to ascribe a specific value to this collateral.

Unimpaired loans (categories 1 to 3) are covered by both specific and general collateral. Unimpaired amounts covered by specific collateral include property lending of £3.0m. Where a loan is deemed to be impaired (category 4 and 5 assets), the level of the impairment charge is primarily driven by any expected shortfall in the collateral value, although it is also influenced by the ability of the borrower to service the debt.

Collateral is valued independently at the time the loan is made and periodically thereafter depending on the specific circumstances. Management are able to roll forward a valuation for reporting purposes via a combination of specific knowledge of the collateral, the market and the application of general indices.

The table below gives an estimate of the fair value of collateral, all of which is property related, that could be realised by the Company as security against exposures to customers that are individually impaired and past due but not impaired. There is no collateral recognised for other asset classes.

	Past due but not impaired 31 December 2017 £'000	Individually impaired 31 December 2017 £'000	Past due but not impaired 31 March 2017 £'000	Individually impaired 31 March 2017 £'000
Property	11,439	30,487	11,258	43,442
Amount of loans collateralised	11,439	33,486	11,258	48,954

C Forbearance

As refinancing and sale options continue to be limited, it is generally in the lender's and borrower's interest to extend certain facilities at maturity and not to foreclose on the security. This assumes there are no underlying issues regarding the borrower's ability to continue to service the loan and the level of collateral is expected to be of sufficient quality to secure the principal.

Unimpaired loans extended in this manner are not categorised as either past due or as forborne. As at 31 December 2017, loans with a carrying value of £2.4m had been extended (31 March 2017: £17.2m), all of which were property loans.

There are a small number of loans which are overdue but not impaired pending an extension of maturity. As at 31 December 2017 these amounted to £11.4m (31 March 2017: £11.3m).

Some loans were renegotiated on substantially different terms than before. Typically these loans include revised covenants and higher margins to reflect higher credit risk as well as having extended maturities. But for these renegotiations the loans would have been deemed to have been impaired. Once a loan is forborne, it will continue to be recognised as forborne until the loan matures or is otherwise derecognised. As at 31 December 2017 the carrying value of all loans forborne was £0.5m (31 March 2017: £1.8m).

D Credit risk concentrations

The Company monitors concentrations of credit risk by geographic location and by industry sector. The following tables show an analysis of credit risk by location and by sector. The location for loans and advances is determined by reference to the location of the borrower, and debt securities are recorded based on the location of the issuer of the security.

Credit risk by location	UK and Channel Islands £'000	Other Europe £'000	US and Canada £'000	Other £'000	Total £'000
At 31 December 2017					
Cash and balances at central banks	9	-	-	-	9
Derivatives	823	-	-	-	823
Loans and advances to banks	7,291	154,503	3,564	-	165,358
Loans and advances - other	59,606	64,863	29	5,478	129,976
Debt securities	48,825	1,519	274	-	50,618
Commitments and guarantees	152,127	-	-	-	152,127
Other financial assets	45,535	37,558	9,793	7,909	100,795
TOTAL	314,216	258,443	13,660	13,387	599,706
At 31 March 2017					
Cash and balances at central banks	16	-	-	-	16
Derivatives	942	-	-	-	942
Loans and advances to banks	28,327	129,113	1,976	4	159,420
Loans and advances - other	91,636	35,010	-	4,065	130,711
Debt securities	52,655	1,207	15,699	-	69,561
Commitments and guarantees	162,510	-	-	-	162,510
Other financial assets	35,144	55,774	3,188	16,127	110,233
TOTAL	371,230	221,104	20,863	20,196	633,393

Credit risk by industry sector	31 December 2017 £'000	31 March 2017 £'000
Financial (see below)	15,276	73,460
Real estate (see below)	43,107	72,592
Governments and Central Banks	48,825	39,058
Private persons	590	674
Related party loans, commitments and guarantees	391,113	337,376
TOTAL	**498,911**	**523,160**

Financial and real estate sector exposures are analysed as follows:

Financial sector	31 December 2017 £'000	31 March 2017 £'000
Short term interbank exposures	13,055	10,694
Other	2,221	62,766
TOTAL	**15,276**	**73,460**

Short term interbank lending is held for liquidity management purposes.

Real estate sector	31 December 2017 £'000	31 March 2017 £'000
Senior loans	41,160	64,909
Subordinated/mezzanine	1,947	7,683
TOTAL	**43,107**	**72,592**

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

2.3 Market risk

Market risk arises as a result of the Company's activities in interest rate, currency, equity and debt markets and comprises interest rate, foreign exchange and equity and debt price risk. Exposure to market risk continues to be small in relation to capital.

Limits on market risk exposure are set by the R&Co Group Assets and Liabilities Committee and are independently monitored.

Market risks associated with treasury and equity positions are set out below with a description of risk management and the levels of risk.

Equities

The Company has exposure to equity price risk through holdings of equity investments. Each position is approved by senior management and is monitored on an individual basis. The table below shows the Company's equity price risk by location, excluding investments in money market funds which can be redeemed on demand (see note 12).

Equity price risk by location	UK £'000	Other Europe £'000	North America £'000	Total £'000
At 31 December 2017				
Equity investments	85,570	54,827	91	140,488
At 31 March 2017				
Equity investments	25,051	77,927	588	103,566

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

If the price of these equities were to fall by 5 per cent, then there would be a post-tax charge to the income statement of £249,000 and a post-tax charge to equity of £6,774,000 (31 March 2017: £1,057,000 and £3,907,000 respectively). Similarly, if the price of the remaining equities were to rise by 5 per cent, then there would be a post-tax credit to the income statement of £249,000 and a post-tax credit to equity of £6,774,000 (31 March 2017: £1,057,000 and £3,907,000 respectively).

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

Currency risk

The table below summarises net exposure to foreign currency exchange rate risk measured by reference to the foreign currency exposures of monetary assets and liabilities after taking account of positions in derivatives. The net exposure reflects timing differences between the recognition of foreign currency revenues and subsequent hedging transactions.

	Long/(short)	
	31 December 2017	31 March 2017
	£'000	£'000
US$	377	10,064
Euro	11,646	1,273
Other	(659)	317

If the value of these currencies fell by 5 per cent against sterling, then there would be a post-tax charge to the income statement of £460,000 (31 March 2017: charge of £472,000). There would be no material impact on equity.

If the value of these currencies rose by 5 per cent against sterling, then there would be a post-tax credit to the income statement of £460,000 (31 March 2017: credit of £472,000). There would be no material impact on equity.

Interest rate risk

The following table summarises exposure to interest rate risk by showing the impact on the fair value of interest-bearing assets and liabilities, and of interest rate derivatives, if base interest rates in each currency shown moved up or down by 1 per cent. This table includes all interest rate risk within the businesses and also the structural interest rate exposure that arises from the reinvestment of shareholders' funds.

	Sterling	Euro	US$
	£'000	£'000	£'000
At 31 December 2017			
+ 1%	(280)	(38)	-
- 1%	280	38	-
At 31 March 2017			
+ 1%	(396)	69	31
- 1%	396	(69)	(31)

2.4 Liquidity risk

Liquidity risk is defined as the risk that an entity cannot meet its cash obligations as they fall due. Liquidity risk arises principally from the mismatch of contractual maturities of assets and liabilities inherent in the business, including contingent liabilities. The Company's policy is to ensure that it has sufficient resources to meet its financial commitments as they are expected to fall due and this is monitored on a daily basis. This is overseen by the NMR Balance Sheet and Treasury Committee which, along with approving the types of liquid assets held by the Company, monitors projected cash positions over the next 18 months.

The tables below analyse the Company's financial assets and liabilities based on contractual maturity, apart from the equity investments in the money market funds which can be called upon for settlement on demand. Loan commitments and guarantees are included at the earliest date they can be drawn down or called upon.

	Demand/ next day £'000	2 days - 3m £'000	3m - 1 yr £'000	> 1 year £'000	No fixed maturity £'000	Total £'000
At 31 December 2017						
Cash and balances at central banks	9	-	-	-	-	9
Loans and advances to banks	15,358	150,000	-	-	-	165,358
Derivatives	-	823	-	-	-	823
Loans and advances - other	69,748	-	66,242	32	(6,046)	129,976
Debt and equity securities	150,449	38,829	9,996	1,793	140,488	341,555
Other financial assets	-	100,795	-	-	-	100,795
TOTAL	**235,564**	**290,447**	**76,238**	**1,825**	**134,442**	**738,516**
Due to banks	1,974	-	-	-	-	1,974
Due to group companies	62,903	-	-	-	-	62,903
Derivatives	-	893	-	-	-	893
Commitments and guarantees	-	152,127	-	-	-	152,127
Other financial liabilities	-	23,250	-	-	-	23,250
TOTAL	**64,877**	**176,270**	**-**	**-**	**-**	**241,147**

	Demand/ next day £'000	2 days - 3m £'000	3m - 1 yr £'000	> 1 year £'000	No fixed maturity £'000	Total £'000
At 31 March 2017						
Cash and balances at central banks	16	-	-	-	-	16
Loans and advances to banks	34,420	125,000	-	-	-	159,420
Derivatives	-	196	746	-	-	942
Loans and advances - other	59,668	12,150	24,279	45,159	(10,545)	130,711
Debt and equity securities	179,621	35,038	4,074	30,449	103,566	352,748
Other financial assets	-	110,233	-	-	-	110,233
TOTAL	**273,725**	**282,617**	**29,099**	**75,608**	**93,021**	**754,070**
Due to banks	23,524	-	-	9,089	-	32,613
Due to group companies	32,533	-	-	-	-	32,533
Derivatives	-	6	-	-	-	6
Commitments and guarantees	-	162,510	-	-	-	162,510
Other financial liabilities	-	9,098	13,623	-	-	22,721
TOTAL	**56,057**	**171,614**	**13,623**	**9,089**	**-**	**250,383**

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

2.5 Maturity of financial liabilities

The following table shows undiscounted contractual cash flows, including interest, payable by the Company on financial liabilities, analysed by remaining contractual maturity at the balance sheet date. Loan commitments and guarantees are included at the earliest date they can be drawn down or called upon. This table does not reflect the liquidity position of the Company.

	Demand/ next day £'000	2 days - 3m £'000	3m - 1 yr £'000	> 1 year £'000	No fixed maturity £'000	Total £'000
At 31 December 2017						
Due to banks	1,974	-	-	-	-	1,974
Due to customers	62,903	-	-	-	-	62,903
Other financial liabilities	-	23,250	-	-	-	23,250
TOTAL	**64,877**	**23,250**	**-**	**-**	**-**	**88,127**
Commitments and guarantees	**-**	**152,127**	**-**	**-**	**-**	**152,127**
At 31 March 2017						
Due to banks	23,524	14	-	9,089	-	32,627
Due to customers	32,533	-	-	-	-	32,533
Other financial liabilities	-	9,098	13,623	-	-	22,721
TOTAL	**56,057**	**9,112**	**13,623**	**9,089**	**-**	**87,881**
Commitments and guarantees	**-**	**162,510**	**-**	**-**	**-**	**162,510**

2.6 Capital management

The Company's capital management policy is to ensure that it is strongly capitalised and compliant with regulatory requirements.

The Financial Conduct Authority ("FCA") is responsible for setting and monitoring the Company's capital requirements. A firm's 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 required to meet credit, market and operational risk. Pillar 2 lays down a supervisory review process to evaluate an institution's own internal process to assess its own capital needs including capital for risks not covered by Pillar 1. The credit risk capital that the Company is required to hold is largely determined by its balance sheet and off-balance sheet positions weighted according to the credit rating and type of exposure to counterparties. Processes are in place to ensure compliance with the minimum capital requirements.

An Internal Capital Adequacy Assessment Process ("ICAAP"), which is subject to regulatory review, is also undertaken to review the risks and capital requirements of the business. The Group's risk management processes are designed to ensure that all risks are identified and that they are covered by capital or other appropriate measures.

The table below summarises the composition of regulatory capital.

	31 December 2017 £m	31 March 2017 £m
Tier 1 capital		
Called up share capital	57.7	57.7
Share premium account	97.9	97.9
Eligible retained earnings and other reserves	253.8	273.0
Deductions from tier 1 capital*	(99.7)	(114.1)
Common equity tier 1 capital	**309.7**	**314.5**
Total Tier 1 Capital	**309.7**	**314.5**
Tier 2 capital		
Perpetual subordinated notes	124.3	124.3
Total Tier 2 Capital	**124.3**	**124.3**
TOTAL CAPITAL RESOURCES	**434.0**	**438.8**
Risk weighted assets (notional - unaudited)		
Credit risk	494.0	783.2
Market and counterparty risk	65.9	83.0
	559.9	**866.2**
Capital ratios (unaudited)		
Common equity tier 1 capital	55.3%	**36.3%**
Tier 1 capital	55.3%	36.3%
TOTAL CAPITAL	**77.5%**	**50.7%**

* Deductions from tier 1 capital relates to deferred tax assets and equity or loan investments in or to subsidiaries or other related parties.

3 Fair value of financial assets and liabilities

Fair value is the price that would be received on selling an asset or paid to transfer a liability in an orderly transaction between market participants. For financial instruments carried at fair value, market prices or rates are used to determine that fair value where an active market exists (such as a recognised exchange), as this is the best evidence of the fair value of a financial instrument. Market prices are not, however, available for certain financial assets and liabilities held or issued by the Company. Where no active market price or rate is available, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions existing at the balance sheet date. The valuation may be derived from quotations received from various sources. Where the market is illiquid, the quotations may not be supported by prices from actual market transactions.

Valuation techniques are generally applied to over the counter derivative transactions and unlisted debt and equity securities. The most frequently applied pricing models and valuation techniques use discounted cashflows. The values derived from modelling discounted cashflows are significantly affected by judgements and assumptions made concerning factors such as the amounts and timing of future cashflows, discount rates, and credit quality.

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

- **Cash and balances at central banks, loans and advances to banks and due to banks.** The fair values of these instruments are materially the same as their carrying values due to their short term nature.
- **Loans and advances - other.** The fair values of loans and advances to customers are based on observable market transactions, obtained from market data providers where available. Where observable market transaction data is not available, fair value is estimated using valuation models that incorporate a range of input assumptions. These assumptions include estimates of current market pricing and valuations of collateral held, adjusted by appropriate indices.
- **Due to group companies.** The fair values of these instruments are determined by discounting the future cashflows at current market interest rates for instruments of similar remaining maturities, adjusted for the appropriate credit spread.
- **Other financial assets and liabilities.** Fair value is considered to be the same as carrying value for these assets.
- **Derivatives and debt and equity securities.** These are carried in the balance sheet at fair value, usually determined using quoted market prices or other observable inputs. Debt securities or unlisted equity securities for which no price is available are valued by discounting expected future cashflows at market interest rates adjusted for appropriate credit spreads or using other valuation techniques.

The fair values of financial assets and liabilities have been classified into a three level valuation hierarchy, whereby the valuation level is determined using the following criteria:

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from market data to a significant extent). This category includes instruments that are valued based on quoted prices for similar instruments and for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Level 3: Inputs for the asset or liability that are not based primarily on observable market data (unobservable inputs). Typically this will be used for instruments with uncertain cashflows and the valuation will therefore depend upon the expected cashflows, estimated maturity and the discount factor used.

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

Financial assets and liabilities carried at amortised cost

	Carrying value £'000	Fair value £'000	Measured using Level 1 £'000	Level 2 £'000	Level 3 £'000
At 31 December 2017					
Financial assets					
Loans and advances to banks	165,358	165,358	-	165,358	-
Loans and advances - other	129,976	124,302	-	89,297	35,005
Other financial assets	100,795	100,795	-	100,795	-
TOTAL	**396,129**	**390,455**	**-**	**355,450**	**35,005**
Financial liabilities					
Due to banks	1,974	1,974	-	1,974	-
Due to group companies	62,903	62,903	-	62,903	-
Other financial liabilities	23,250	23,250	-	23,250	-
TOTAL	**88,127**	**88,127**	**-**	**88,127**	**-**
At 31 March 2017					
Financial assets					
Loans and advances to banks	159,420	159,420	-	159,420	-
Loans and advances - other	130,711	122,599	-	73,645	48,954
Other financial assets	110,233	110,233	-	110,233	-
TOTAL	**400,364**	**392,252**	**-**	**343,298**	**48,954**
Financial liabilities					
Due to banks	32,613	32,613	-	32,613	-
Due to customers	32,533	32,533	-	32,533	-
Other financial liabilities	22,721	22,721	-	22,721	-
TOTAL	**87,867**	**87,867**	**-**	**87,867**	**-**

Financial assets and liabilities carried at fair value

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

	Carrying value equal to fair value £'000	Measured using Level 1 £'000	Level 2 £'000	Level 3 £'000
At 31 March 2017				
Financial assets				
Derivatives	942	-	942	-
Debt securities	69,561	39,058	30,503	-
Equity securities	283,187	213,298	22,577	47,312
TOTAL	**353,690**	**252,356**	**54,022**	**47,312**
Financial liabilities				
Derivatives	6	-	6	-
TOTAL	**6**	**-**	**6**	**-**

Assets measured at fair value based on Level 3

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

Available-for-sale financial assets	31 December 2017 £'000	31 March 2017 £'000
Opening balance	47,312	50,323
Total gains and (losses):		
- in income statement (as "other operating income")	-	-
- through other comprehensive income (as "change in fair value of assets classified as available-for-sale")	59,392	(3,011)
CLOSING BALANCE	**106,704**	**47,312**

The amount recognised in the income statement includes £nil (9 months ended 31 March 2017: £nil) in respect of assets held at the end of the reporting period.

The table below sets out information about significant unobservable inputs used at 31 December 2017 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

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

4 Net fee and commission income

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Fee and commission income		
Global advisory fees receivable	247,053	398,313
Banking and credit related fees and commissions	1,809	1,417
Other fees	15,781	18,161
TOTAL	**264,643**	**417,891**
Fee and commission expense		
Global advisory fees payable	32,851	80,313
Other fees paid	256	540
TOTAL	**33,107**	**80,853**

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

5 Net interest income

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Interest income		
Interest earned on loans and advances	2,557	4,761
Interest earned on investment securities	801	1,920
Other	-	203
TOTAL	**3,358**	**6,884**
Interest expense		
Interest on amounts due to banks and customers	223	2,053
TOTAL	**223**	**2,053**

Included within interest income is £757,000 (year ended 31 March 2017: £1,176,000) in respect of interest income accrued on impaired financial assets.

6 Dividend income

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Dividends from subsidiary undertakings	9,300	27,218
Dividends from associated undertakings	-	2,093
Dividends from joint ventures	2,407	-
Dividends from other group companies	1,848	3,014
Other dividends	700	161
TOTAL	**14,255**	**32,486**

Dividend income includes £nil (year ended 31 March 2017: £14.8m) of distributions following capital reductions.

7 Other operating income

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Other operating income		
Rental income	95	137
Gains less losses from disposals of loans and available-for-sale financial assets	6,415	2,237
Foreign exchange gains	1,034	1,138
Equities designated as fair value through profit and loss	299	984
Other	4,035	4,101
TOTAL	**11,878**	**8,597**

8 Operating expenses

	Note	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Staff costs	9	187,757	258,785
Administrative expenses		41,804	53,286
Less: recharges to other group companies		(14,477)	(20,443)
TOTAL		**215,084**	**291,628**

The auditor's remuneration was as follows:

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Audit fees relating to the Company	132	132
Audit fees relating to subsidiary undertakings and other affiliates	71	96
TOTAL	**203**	**228**

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

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Audit-related assurance services	63	78
Other services	-	9
TOTAL	**63**	**87**

9 Staff costs

	Note	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Fixed and variable remuneration		142,125	199,660
Social security costs		19,693	26,430
Staff benefits and other staff costs		17,505	20,666
Pension costs			
- defined benefit plans	20	4,168	6,286
- defined contribution plans	20	3,710	4,845
Post-retirement benefits		556	898
TOTAL STAFF COSTS		**187,757**	**258,785**

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

	31 December 2017	31 March 2017
Global Advisory	415	414
Banking and Merchant Banking	61	61
Support and other	234	227
TOTAL	**710**	**702**

The average number of persons employed was as follows:

	Nine months to 31 December 2017	Year to 31 March 2017
Global Advisory	417	426
Banking and Merchant Banking	59	57
Support and other	230	224
TOTAL	**706**	**707**

Deferred remuneration and share-based payments

As part of its variable pay strategy, the Company operates various incentive schemes for the benefit of employees. These schemes consist of deferred cash bonuses and, for certain key staff, various deferred share-based payment awards.

The cash awards are paid one, two and three years after the year of the award, and the expense is recognised over the two, three and four year periods from the start of the year of the award to the date of payment. These awards are paid on the condition that the recipient is still an employee of the Rothschild & Co Group.

A commitment to employees exists in connection with deferred remuneration. Some of this has not yet accrued because it relates to a future service period. The amount of potential future payments that have not yet accrued is £23,335,000 (31 March 2017: £27,878,000).

The objective of the deferred share-based payment awards is to link the reward of certain key staff with the performance of the Company. In addition to the requirement to remain employed by the Company, these awards may also be cancelled under specific circumstances.

The terms of the different share-based payment awards are as follows:

Rothschild & Co equity scheme

Rothschild & Co has granted options in Rothschild & Co shares to a number of key staff. Under the equity scheme rules, the equity scheme participants have been required to invest in Rothschild & Co shares and, for each share owned, Rothschild & Co has granted four share-options. Shares invested in are subject to a four-year lock-up period and the share-options granted are subject to a vesting period before exercise. A quarter of the share-options vest on each of the third, fourth, fifth and sixth anniversaries of the equity scheme and the share-options are exercisable on the vesting dates, but not later than the tenth anniversary of the award, at various prices according to when the options were issued.

Movements in the number of share-options outstanding are as follows:

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

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

Exercise price range €	31 December 2017 Number of options outstanding	31 December 2017 Weighted average contractual life (years)	31 March 2017 Number of options outstanding	31 March 2017 Weighted average contractual life (years)
17.50	280,000	5.75	325,000	6.50
18.00	282,500	5.75	325,000	6.50
19.00	325,000	5.75	325,000	6.50
20.00	325,000	5.75	325,000	6.50
23.62	50,000	7.95	50,000	8.70
24.12	50,000	7.95	50,000	8.70
25.12	50,000	7.95	50,000	8.70
26.12	50,000	7.95	50,000	8.70
31.56	70,000	10.00	-	-
32.06	70,000	10.00	-	-
33.06	70,000	10.00	-	-
34.06	70,000	10.00	-	-
TOTAL	**1,692,500**	**6.70**	**1,500,000**	**6.79**

The options were valued by an independent valuer using a Black-Scholes option valuation model. The key inputs into this model were the price of the underlying Rothschild & Co shares, the expected volatility of the share price (for which the historic volatility has been the primary consideration), and the estimated exercise date of the options (which is the mid-point between the dates of vesting and expiry). The valuation was based on the assumption that all recipients will remain with the Group.

The fair value of the share-based payments made in the period was £7.2m (year ended 31 March 2017: £nil). This amount is charged to the income statement over the period of employee service required under the vesting conditions. As the options are equity-settled, there is no liability booked in the balance sheet in respect of these options, and there is no periodic charge or credit in the income statement as the options change in value.

Rothschild & Co share-based payments

The Company has committed to pay a number of staff deferred awards in the form of Rothschild & Co shares. The shares will be delivered to employees as long as the recipients are still employed by the Rothschild & Co Group at the time of vesting. The value of the shares at the date of award is expensed over the service period, until vesting. The liability is treated as a cash-settled share-based payment and revalued at each reporting period, with the changes in value recognised in the income statement.

The charge for the period arising from share-based payment schemes was as follows:

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Rothschild & Co equity scheme	1,166	1,221
Rothschild & Co share-based payments	4,131	3,524
TOTAL	**5,297**	**4,745**

10 Tax

Tax charged to the income statement:

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Current tax:		
- Current period	1,720	5,900
- Prior year adjustments	9	60
Total current tax	**1,729**	**5,960**
Deferred tax:		
- Origination and reversal of timing differences	4,469	5,987
- Prior year adjustments	347	(281)
Total deferred tax	**4,816**	**5,706**
TOTAL TAX CHARGED TO INCOME STATEMENT	**6,545**	**11,666**

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

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Deferred tax on available-for-sale financial assets	(423)	603
Current tax on available-for-sale financial assets	(20)	(46)
Deferred tax on actuarial gains and losses on defined benefit pension schemes	181	856
TOTAL TAX CHARGED TO OTHER COMPREHENSIVE INCOME	**(262)**	**1,413**

Tax on items credited to equity:

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Current tax on distributions to holders of perpetual instruments	**(1,011)**	**(1,798)**

As a result of changes in UK corporation tax rules, the deductibility of interest for UK groups is now restricted. For the purposes of these financial statements, it has been assumed that not all of the interest borne by the Company is tax deductible.

The tax charged on income differs from the theoretical amount that would arise using the standard tax rate as follows:

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Profit before tax	43,228	73,717
Tax calculated at the UK corporation tax rate of 19% (year to 31 March 2017: 20%)	8,213	14,743
Adjustment to tax charge in respect of prior years	356	(221)
Impact on deferred tax of corporation tax rate change	(8)	(1,163)
Non tax deductible expenses	808	1,058
Group dividends not subject to tax	(2,118)	(6,465)
Other income not subject to tax	(729)	(487)
Irrecoverable dividend withholding tax	278	479
Non tax deductible impairment provisions	-	2,950
Other	(255)	772
TOTAL TAX CHARGED TO INCOME STATEMENT	**6,545**	**11,666**

Further information about deferred tax is presented in note 19.

11 Loans and advances

	31 December 2017 £'000	31 March 2017 £'000
Loans and advances to banks:		
Included in cash and cash equivalents	165,358	159,420
TOTAL	**165,358**	**159,420**

	31 December 2017 £'000	31 March 2017 £'000
Loans and advances - other:		
Loans and advances to group companies	87,400	60,851
Loans and advances - other	72,099	100,496
Allowance for credit losses - other	(29,523)	(30,636)
TOTAL	**129,976**	**130,711**

The movement in the allowance for credit losses on loans and advances to customers is as follows:

	Specific £'000	Collective £'000	Total £'000
At 1 April 2017	**20,091**	**10,545**	**30,636**
Charge/(credit) to income statement	5,406	(4,499)	907
Amounts written off	(2,106)	-	(2,106)
Recoveries	56	-	56
Exchange movements	30	-	30
AT 31 DECEMBER 2017	**23,477**	**6,046**	**29,523**
At 1 April 2016	**36,384**	**15,725**	**52,109**
Charge/(credit) to income statement	4,479	(5,180)	(701)
Amounts written off	(23,727)	-	(23,727)
Recoveries	263	-	263
Exchange movements	2,692	-	2,692
AT 31 MARCH 2017	**20,091**	**10,545**	**30,636**

12 Debt and equity securities

	31 December 2017 £'000	31 March 2017 £'000
Debt securities - available-for-sale	50,598	70,402
Allowance for impairment	-	(938)
Accrued interest	20	97
Total debt securities - available-for-sale	**50,618**	**69,561**
Equity securities - available-for-sale (excluding money market funds – see note*)	168,529	112,415
Allowance for impairment	(33,014)	(34,153)
	135,515	**78,262**
Equity securities - available-for-sale (money market funds – see note*)	150,449	179,621
Total equity securities - available-for-sale	**285,964**	**257,883**
Equity securities - fair value through profit and loss	**4,973**	**25,304**
TOTAL DEBT AND EQUITY SECURITIES	**341,555**	**352,748**

*Included in available-for-sale equities are investments in AAA rated money market funds which are held for liquidity management purposes. The underlying assets of the funds consist of a diversified portfolio of high quality Sterling denominated short term debt and debt-related instruments. The funds are actively managed by third party investment teams and are defined as "Short-Term Money Market Fund" by the European Securities and Markets Authority and readily convertible into cash.

Available-for-sale debt and equity securities may be analysed as follows:

	31 December 2017 £'000	31 March 2017 £'000
Debt securities		
- Listed	50,618	69,561
Total debt securities	**50,618**	**69,561**
Equity securities		
- Listed	33,650	33,703
- Unlisted	257,287	249,484
Total equity securities	**290,937**	**283,187**
TOTAL DEBT AND EQUITY SECURITIES	**341,555**	**352,748**

Equity securities include shares in Rothschild & Co SCA, Third New Court Limited and Rothschild Holding AG, fellow subsidiaries of Rothschild Concordia SAS.

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

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

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Debt securities		
At beginning of period	**938**	**1,088**
Charge/(credit) to the income statement	(1,001)	(238)
Exchange movements	63	88
AT END OF PERIOD	**-**	**938**
Equity securities		
At beginning of period	**34,153**	**35,823**
Exchange movements	-	402
Realised on disposal	(1,139)	(2,072)
AT END OF PERIOD	**33,014**	**34,153**

The movement in debt and equity securities is as follows:

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
At beginning of period	**352,748**	**305,268**
Additions	72,240	369,280
Disposals (sale and redemption)	(149,666)	(334,711)
Gains from changes in fair value	63,778	8,818
Movement in allowance for impairment	1,001	240
Unwinding of discount	-	(5)
Movement in accrued interest	(77)	(45)
Exchange differences	1,531	3,903
AT END OF PERIOD	**341,555**	**352,748**

13 Derivatives

The Company's use of financial instruments, including derivatives, is set out in note 2. A derivative is a financial instrument, the value of which is derived from the value of another financial instrument, an index or some other variable ("the underlying"). Typically the underlying is an interest rate, a currency exchange rate or the price of a debt or equity security. Derivative instruments are carried at fair value, shown in the balance sheet as separate totals of positive fair values (assets) and negative fair values (liabilities). Positive fair values represent the cost to the Company of replacing all transactions with a fair value in the Company's favour if the counterparties default. Negative fair values represent the cost to the Company's counterparties of replacing all their transactions with the Company with a fair value in the counterparties' favour if the Company were to default. Positive and negative fair values on different transactions are only netted if there is a legal right of set-off, the transactions are with the same counterparty and the cashflows will be settled on a net basis. Changes in fair values of derivative instruments are recognised in other income.

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

	Notional principal		Positive fair value		Negative fair value	
	31 December 2017 £'000	31 March 2017 £'000	31 December 2017 £'000	31 March 2017 £'000	31 December 2017 £'000	31 March 2017 £'000
Forward foreign exchange contracts	206,501	63,576	823	942	(893)	(6)
TOTAL	**206,501**	**63,576**	**823**	**942**	**(893)**	**(6)**

14 Other assets

	31 December 2017 £'000	31 March 2017 £'000
Accounts receivable and prepayments	64,486	81,089
Accrued income	11,950	9,762
Intra-group receivables	39,028	32,024
Stock	4	6
Other	3,488	3,846
TOTAL	**118,956**	**126,727**

Accounts receivable are net of allowances of £782,000 (31 March 2017: £3,081,000).

15 Investments in subsidiary undertakings

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Net book value at beginning of period	**11,411**	**21,582**
Additions	-	4,578
Impairment provisions	-	(14,749)
NET BOOK VALUE AT END OF PERIOD	**11,411**	**11,411**

During the period, the Company disposed of its investment in Rothschild Credit Management Limited to a parent company for its net asset value of £136,000. The cost of the subsidiary was £2.

During the year ended March 2017, the Company completed the acquisition of Scott Harris UK Limited, an independent equity advisory business for initial consideration of £3,577,000 plus deferred consideration which is contingent upon business performance. Based on business plans at the date of acquisition, £1,001,000 of that deferred consideration has been treated as part of the cost of acquisition. Part of the deferred consideration, payable to employees and directors of Scott Harris UK Limited, is not only contingent upon business performance but also that they remain in the employment of the company. This cost will be amortised as part of staff costs over the 3 year period to which the deferred remuneration relates. The amount charged during the 9 months to December 2017 was £1,980,000 (year to March 2017: £2,358,000).

The subsidiary companies are held at cost of £45,470,000 less impairment provisions of £34,059,000.

The subsidiary undertakings of the Company as at 31 December 2017 are detailed in note 30.

16 Investments in associates and joint ventures

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

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

	Country of residence	Ownership interest	Description of business
Rothschild Martin Maurel SCS (formerly Rothschild & Cie Banque)	France, with registered office at 29 Avenue de Messine, 75008, Paris.	6.56%	Limited partnership bank
N M Rothschild Europe Partnership	England and Wales, with registered office at New Court, St. Swithin's Lane, London EC4N 8AL.	50%	Financial advisory

17 Property, plant and equipment

	Leasehold improvements £'000	Cars, fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost at 1 April 2017	**48,602**	**2,361**	**9,428**	**60,391**
Additions	-	114	-	114
Reclassifications	-	712	(712)	-
Disposals	-	(93)	-	(93)
At 31 December 2017	**48,602**	**3,094**	**8,716**	**60,412**
Accumulated depreciation at 1 April 2017	**18,473**	**1,372**	**8,004**	**27,849**
Depreciation charge	2,168	237	181	2,586
Reclassifications	-	392	(392)	-
Disposals	-	(91)	-	(91)
At 31 December 2017	**20,641**	**1,910**	**7,793**	**30,344**
NET BOOK VALUE AT 31 DECEMBER 2017	**27,961**	**1,184**	**923**	**30,068**
Cost at 1 April 2016	**48,602**	**1,905**	**9,428**	**59,935**
Additions	-	456	-	456
At 31 March 2017	**48,602**	**2,361**	**9,428**	**60,391**
Accumulated depreciation at 1 April 2016	**15,582**	**1,154**	**7,316**	**24,052**
Depreciation charge	2,891	218	688	3,797
At 31 March 2017	**18,473**	**1,372**	**8,004**	**27,849**
NET BOOK VALUE AT 31 MARCH 2017	**30,129**	**989**	**1,424**	**32,542**

18 Other liabilities

	Note	31 December 2017 £'000	31 March 2017 £'000
Accounts payable		2,422	7,549
Intra-group payables		22,014	25,312
Defined benefit pension liabilities	20	18,956	30,361
Other liabilities		11,542	9,638
TOTAL		**54,934**	**72,860**

19 Deferred income taxes

Deferred taxes are calculated on all temporary differences under the liability method using tax rates that have been substantively enacted at the balance sheet date and that are expected to apply when the temporary difference is realised. The current UK corporation tax rate is 19 per cent (year to 31 March 2017: 20 per cent) although reductions in the rate to 17 per cent from April 2020 had been substantively enacted at the balance sheet date and are reflected in the carrying value of deferred tax.

The movement on the deferred tax account is as follows:

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
At beginning of period	**33,258**	**40,423**
Recognised in income		
Income statement charge	(4,816)	(5,706)
Recognised in equity		
Defined benefit pension arrangements	(181)	(856)
Available-for-sale securities		
- fair value measurement	423	(603)
AT END OF PERIOD	**28,684**	**33,258**

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

	31 December 2017 £'000	31 March 2017 £'000
Accelerated tax depreciation	2,308	3,031
Deferred profit share arrangements	15,385	16,261
Pension and other post-retirement benefits	3,897	6,061
Available-for-sale securities	(198)	(622)
Tax losses	7,292	8,527
TOTAL	**28,684**	**33,258**

The deferred tax (charge)/credit in the income statement comprises the following temporary differences:

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Accelerated tax depreciation	(723)	(1,408)
Deferred profit share arrangements	(876)	1,994
Pensions and other post-retirement benefits	(1,983)	(4,827)
Tax losses	(1,234)	(1,465)
TOTAL	**(4,816)**	**(5,706)**

Deferred tax assets of £6,500,000 (31 March 2017: £6,500,000) have not been recognised. These represent £34,210,000 of unutilised tax losses.

20 Defined benefit pension plans and other post-retirement benefits

The Company operates a pension scheme, the NMR Pension Fund ("the Fund"), for the benefit of employees of the Company as well as certain other Rothschild & Co group companies in the United Kingdom. The Fund comprises a defined benefit section, which closed to new entrants in April 2003, and a defined contribution section established with effect from April 2003. The Company also has £1,672,000 (31 March 2017:£1,559,000) of unfunded obligations in respect of pensions and other post-retirement benefits.

For the defined benefit section, benefits are based on actual service and final pensionable salary. The weighted average duration of the expected benefit payments from the Fund is 20.0 years. The Fund is registered with HMRC for tax purposes, and is operated separately from the Company and managed by independent trustees. The trustees are responsible for payment of the benefits and management of the Fund's assets. The Fund is subject to UK regulations, which require the Company and trustees to agree a funding strategy and contribution schedule for the Fund.

As with most defined benefit schemes, the defined benefit section of the Fund exposes the Company to a number of risks including longevity, inflation, interest rate and investment performance. These risks are mitigated by an investment strategy for the Fund which aims to minimise the long term costs of the Fund. This is achieved by investing in a diversified selection of asset classes, which aims to reduce the volatility of returns and also achieves a level of matching with the underlying liabilities.

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

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

The latest formal actuarial valuation of the Fund was carried out as at 31 March 2016 and has been updated for IAS 19 purposes to 31 December 2017 by qualified independent actuaries. As required by IAS 19, the values of the defined benefit obligation and current service cost have been measured using the projected unit credit method. The net charge to the income statement comprises current and past service costs, the net interest charge on the net defined benefit liability and administration expenses relating to the management of the pension funds. Re-measurement gains and losses are recognised in full, in the period in which they occur, outside the income statement and presented in other comprehensive income.

The principal actuarial assumptions used as at the balance sheet date were as follows:

	31 December 2017	31 March 2017	31 March 2016
Discount rate	2.60%	2.80%	3.60%
Retail price inflation	3.20%	3.20%	2.90%
Consumer price inflation	2.10%	2.10%	1.90%
Expected rate of uncapped salary increases	2.00%	2.00%	2.00%
Expected rate of increase in pensions in payments:			
Capped at 5.0% per annum	3.10%	3.10%	2.80%
Capped at 2.5% per annum	2.10%	2.10%	2.00%
Life expectancy of a pensioner aged 60:			
Male	28.8	29.2	28.7
Female	29.9	30.4	29.5
Life expectancy of a future pensioner aged 60 in 20 years' time:			
Male	30.3	31.1	30.7
Female	31.4	32.3	30.7

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

	31 December 2017 £'000	31 March 2017 £'000
0.5% increase in discount rate	(79,600)	(80,000)
0.5% increase in price inflation	62,400	63,900
1 year increase in life expectancy	30,800	29,600

The sensitivities shown above reflect only the change in the assessed defined benefit obligation for the Fund. In practice, any movement leading to a change in the discount rate or price inflation is likely to be partially offset by a change in asset values, and the corresponding overall impact on the net liability is therefore likely to be lower than the amounts above.

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

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

	Plan assets	Defined benefit obligations	Net defined benefit liability
	£'000	£'000	£'000
At 1 April 2016	**652,382**	**(713,793)**	**(61,411)**
Current service cost (net of contributions paid by other plan participants)	-	(3,121)	**(3,121)**
Current service cost relating to other plan participants	-	(384)	**(384)**
Interest income/(cost)	23,382	(25,200)	**(1,818)**
Re-measurements due to:			
- actual return less interest on plan assets	143,052	-	**143,052**
- changes in financial assumptions	-	(148,583)	**(148,583)**
- changes in demographic assumptions	-	(10,985)	**(10,985)**
- experience gains/(losses)	-	11,123	**11,123**
Benefits paid	(30,166)	30,166	**-**
Contributions by the Company	42,729	-	**42,729**
Contributions by other plan participants	384	-	**384**
Administration expenses	(1,347)	-	**(1,347)**
AT 31 MARCH 2017	**830,416**	**(860,777)**	**(30,361)**

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

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

	31 December 2017 £'000	31 March 2017 £'000
Quoted		
Corporate bonds	96,074	93,273
Index-linked gilts	28,355	28,353
Liability driven investments (LDI)	186,932	184,562
Equities	304,722	276,023
Emerging market debt	40,719	40,429
Private markets	26,184	25,868
Structured credit	19,350	19,559
Unquoted		
Fund of hedge funds	3,332	49,033
Private markets - unquoted	69,937	69,905
Leveraged loans	8,833	8,680
Equities	690	670
Cash and net current assets	71,920	34,061
TOTAL	**857,048**	**830,416**

Equities includes £690,000 (31 March 2017: £670,000) of shares in companies that are related parties of the Company.

Amounts recognised in the income statement are as follows:

	Note	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Employers' part of current service cost		2,799	3,121
Net interest cost		479	1,818
Administration expenses		890	1,347
TOTAL (INCLUDED IN STAFF COSTS)	**9**	**4,168**	**6,286**

Amounts recognised in the statement of comprehensive income:

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Actuarial gains/(losses) recognised in the period	1,064	(5,393)
Cumulative actuarial losses recognised in the statement of comprehensive income	(181,576)	(182,640)

Following the March 2016 triennial actuarial valuation of the Fund, the Company agreed a contribution plan with the trustees to reduce the resulting deficit in accordance with pensions regulation. The aim is to eliminate the funding deficit by 2023 with annual contributions of £15.0m. In addition, participating employers in the Fund have agreed to pay 46.6% of in-service members' pensionable salaries in respect of future accrual.

It is estimated that total contributions of £19.7m will be paid to the defined benefit pension schemes in the year ending 31 December 2018, of which it is estimated that the Company will pay £19.3m.

The Company has assessed that no further liability arises under IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This conclusion was reached because the trustees of the Fund do not have a unilateral power to wind up the Fund and the Fund's rules allow the Company an unconditional right to a refund assuming the gradual settlement of plan liabilities over time until all members have left the Fund.

Defined contribution schemes

	Note	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Contributions paid	9	3,710	4,845

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

21 Contingent liabilities and commitments

	31 December 2017 £'000	31 March 2017 £'000
Guarantees		
Guarantees and irrevocable letters of credit	150,225	145,674
Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend	1,902	16,836

From time to time the Company is involved in judicial proceedings or receives claims arising from the conduct of its business. Based upon available information and, where appropriate, legal advice, the Directors do not believe that there are any potential or actual proceedings or other claims which will have a material adverse impact on the Company's financial position.

22 Operating lease commitments

At 31 December 2017, the Company was obligated under a number of non-cancellable operating leases used for business purposes. The significant premises leases usually include renewal options and escalation clauses in line with normal office rental market terms.

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

	31 December 2017	31 March 2017
	£'000	£'000
Up to 1 year	11,783	11,589
Between 1 and 5 years	47,228	43,426
More than 5 years	217,256	223,266
TOTAL	**276,267**	**278,281**

Operating expenses include operating lease rentals of £8,775,000 (year ended 31 March 2017: £9,454,000).

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

	31 December 2017	31 March 2017
	£'000	£'000
Up to 1 year	150	132
Between 1 and 5 years	599	599
More than 5 years	150	262
TOTAL	**899**	**993**

23 Distributions

	Nine months to 31 December 2017	Year to 31 March 2017
	£'000	£'000
Other equity Interests		
Perpetual Floating Rate Subordinated Loan (US$100 million)	1,066	1,128
Perpetual Fixed Rate Subordinated Loan (£75 million)	5,094	6,743
Perpetual Floating Rate Subordinated Loan (€150 million)	1,162	1,119
	7,322	**8,990**
Tax credit thereon	(1,011)	(1,798)
	6,311	**7,192**
Ordinary shares		
Dividends paid	55,000	50,000
TOTAL	**61,311**	**57,192**

The dividends per ordinary share were 95p (year ended 31 March 2017: 87p).

24 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with an original maturity of less than three months or are readily convertible into cash.

	31 December 2017 £'000	31 March 2017* £'000
Cash	9	16
Loans and advances to banks	165,358	159,420
Equity securities – available-for-sale*	150,449	179,621
Debt securities – available-for-sale	28,826	-
TOTAL	**344,642**	**339,057**

*The prior year cash and cash equivalents has been restated to include money market funds which are held as available-for-sale equity securities. Money market funds consist of a diversified portfolio of high quality Sterling denominated short term debt and debt related instruments and are held readily convertible into cash.

Available-for-sale debt securities consist of UK Treasury bills with an original maturity of less than three months.

25 Transactions with related parties

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

	31 December 2017 £'000	31 March 2017 £'000
Loans and accrued interest	1	8

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

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

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Key management personnel compensation:		
Short-term employee benefits	5,039	6,588
Post-retirement benefits	8	23
Other deferred benefits	3,661	5,228

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

	31 December 2017		31 March 2017	
	Loans and advances	Other assets	Loans and advances	Other assets
	£'000	£'000	£'000	£'000
Amounts due from parent companies	-	-	34,322	186
Amounts due from subsidiary undertakings	1,369	15,993	11,390	9,324
Amounts due from associates and joint ventures	-	2,890	-	1,312
Amounts due from other related parties	238,240	30,024	164,034	26,816

Amounts receivable include loans to related parties and amounts recoverable from related parties in respect of expenses incurred on their behalf and services provided. Loans are made in the ordinary course of business and on substantially the same terms as comparable transactions with third parties.

Amounts payable to related parties of the Company are as follows:

	31 December 2017			31 March 2017		
	Due to banks and customers	Perpetual instruments	Other liabilities	Due to banks and customers	Perpetual instruments	Other liabilities
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts due to parent companies	28,385	-	-	3,376	-	-
Amounts due to subsidiary undertakings						
- subordinated	-	51,725	-	-	51,725	-
- other	7,934	-	4,793	10,799	-	5,133
Amounts due to associates and joint ventures	-	-	9,396	-	-	247
Amounts due to pension funds	-	-	-	-	-	-
Amounts due to other related parties						
- subordinated	-	72,610	-	-	72,610	-
- other	28,551	-	9,684	41,893	-	8,243

Amounts payable include intra group borrowings and bank account balances held in the ordinary course of business.

Guarantees made on behalf of and received from related parties of the Company are as follows:

	31 December 2017	31 March 2017
	£'000	£'000
Guarantees made on behalf of subsidiary undertakings	148,852	145,674
Guarantees made on behalf of other related parties	133	128
Guarantees received from other related parties	4,095	4,065

Included in the above is a guarantee of £133,151,000 (31 March 2017: £128,667,000) of perpetual floating rate subordinated notes issued by Rothschilds Continuation Finance PLC. The issue proceeds have been placed on deposit with the Company on terms similar to those of the notes issued.

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

The Company has received guarantees from a fellow subsidiary of Rothschild Concordia SAS in respect of certain customer loans.

Commitments provided to related parties of the Company are as follows:

	31 December 2017 £'000	31 March 2017 £'000
Undrawn credit commitments	1,559	5,930

The Company has entered into a lease agreement with a fellow subsidiary of Rothschild Concordia SAS for the rental of office space. The lease agreement expires in 2040 and is on normal commercial terms.

Amounts recognised in the income statement of the Company in respect of related party transactions are as follows:

	Parent companies £'000	Subsidiary undertakings £'000	Associates and joint ventures £'000	Other related parties £'000	Total £'000
Nine months to 31 December 2017					
Interest receivable	292	-	-	843	1,135
Interest payable	-	-	-	(80)	(80)
Fees and commissions receivable	750	16,069	-	28,854	45,673
Fees and commissions payable	-	(7,903)	(11,277)	(10,672)	(29,852)
Dividend income	919	9,300	2,407	929	13,555
Rent payable	-	-	-	(7,888)	(7,888)
Recoverable expenses	5,029	(260)	102	9,122	13,993
Year to 31 March 2017					
Interest receivable	677	357	-	142	1,176
Interest payable	(1)	(7)	(2)	(12)	(22)
Fees and commissions receivable	1,000	18,610	-	34,698	54,308
Fees and commissions payable	-	(21,459)	(19,702)	(29,251)	(70,412)
Dividend income	807	27,232	2,078	2,207	32,324
Rent payable	-	-	-	(10,279)	(10,279)
Recoverable expenses	7,883	337	180	12,321	20,721

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

26 Remuneration of Directors

	Nine months to 31 December 2017 £'000	Year to 31 March 2017 £'000
Directors' emoluments	2,479	3,641
Amounts receivable under deferred profit share schemes	244	270
	2,723	**3,911**
Pension contributions to money purchase schemes	8	23
	2,731	**3,934**

The emoluments of the highest paid director were £937,500 (year ended 31 March 2017: £1,250,000).

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

27 Share capital

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

28 Perpetual instruments

	31 December 2017 £'000	31 March 2017 £'000
Perpetual fixed rate subordinated notes 9% (£75 million)	48,750	48,750
Perpetual floating rate subordinated notes (€150 million)	51,725	51,725
Perpetual floating rate subordinated notes (US$100 million)	23,860	23,860
TOTAL	**124,335**	**124,335**

29 Parent undertaking and ultimate holding company

The largest group in which the results of the Company are consolidated is that headed by Rothschild Concordia SAS, incorporated in France, and whose registered office is at 23bis, Avenue de Messine, 75008 Paris. The smallest group in which they are consolidated is that headed by Rothschild & Co SCA, a French public limited partnership whose registered office is also at 23bis, Avenue de Messine, 75008 Paris. The accounts are available on the Rothschild & Co website at www.rothschildandco.com.

The Company's immediate parent company is N M Rothschild Holdings Limited, a private company limited by shares and incorporated in England and Wales whose registered office is at New Court, St Swithin's Lane, London, EC4N 8AL.

30 Subsidiary undertakings

The subsidiary undertakings of the Company as at 31 December 2017 are detailed below. All subsidiary undertakings are registered in England and Wales except where otherwise indicated.

	Percentage ownership	
	%	%
The following companies are incorporated in England and Wales and have their registered offices at New Court, St Swithin's Lane, London EC4N 8AL:		
Five Arrows Finance Limited		100
Five Arrows Leasing Holdings Limited		100
Investor Perceptions Limited		100
Lanebridge Holdings Limited		100
Lanebridge Investment Management Limited		100
Marplace (Number 480) Limited		100
O C Investments Limited		100
Rothschild Australia Holdings Limited		100
Rothschild Gold Limited		100
Rothschild Limited		100
Rothschild Reserve Limited		100
Rothschilds Continuation Finance PLC		100
Shield Trust Limited		100
Scott Harris UK Limited		100
Shield MBCA Limited		100
The following companies are incorporated overseas:		
Rothschild Australia Limited *(incorporated in Australia with registered office at Level 41, 50 Bridge Street, Sydney, NSW 2000)*		100
Rothschild & Co Proprietary Limited *(incorporated in Australia with registered office at Level 41, 50 Bridge Street, Sydney, NSW 2000)*		100
Elsinore Part. e Serv. Ltda. *(incorporated in Brazil with registered office at Av. Brigadeiro Faria Lima 2055/18o. Andar, Jardim Paulistano - São Paulo, SP - 01451-000)*		100
Arena Plaza Jersey GP Limited (formerly Lanebridge (Arena Plaza) Jersey GP Limited; incorporated in Jersey, C.I. with registered office at Whiteley Chambers, Don Street, St. Helier JE4 9WG)		100

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

	Percentage ownership	
	%	%
Rothschild Europe BV (incorporated in The Netherlands with registered office at Ankersmidplein 2, 1506 CK Zaandam), which owns the following subsidiaries:		50.01
Rothschild GmbH (incorporated in Germany with registered office at Börsenstrasse 2-4, 60313 Frankfurt)	100	
Rothschild SpA (incorporated in Italy with registered office at Via Santa Radegonda 8, 20123 - Milan)	90.45	
Rothschild & Co S.R.L. (incorporated in Italy with registered office at Via Santa Radegonda 8, 20123 - Milan)	90.45	
Rothschild S.A. (incorporated in Spain with registered office at Paseo de la Castellana 35, 3 planta, 28046 Madrid)	98	
Rothschild Portugal Limitada (incorporated in Portugal with registered office at Calçada Marquês de Abrantes, 40 - 1 Esq., 1200 - 719 Lisboa)	99.89	
Rothschild - Kurumsal Finansman Hizetleri Limited Sirketi (incorporated in Turkey with registered office at Akmerkez Rezidans Apart Otel No. 14D2, Akmerkez IS Mekezi Yani, Nispetiye Caddesi, 34340 Etiler, Istanbul)	99	
Rothschild Polska Sp. z o.o. (incorporated in Poland with registered office at Rzymowskiego 34, 02-697 Warsaw)	100	
RCF (Russia) BV (incorporated in The Netherlands with registered office at Ankersmidplein 2, 1506 CK Zaandam)	100	
Rothschild (Middle East) Limited (incorporated in Dubai with registered office at Office 203, Level 2, Burj Daman, DIFC, PO Box 506570, Dubai)	100	
Rothschild (Qatar) LLC (incorporated in Qatar with registered office at PO Box 31316, Al Fardan Office Tower, West Bay 8th - 9th Floor, Doha)	100	
RCF (Israel) BV (incorporated in The Netherlands with registered office at Ankersmidplein 2, 1506 CK Zaandam)	100	
Rothschild Nordic AB (incorporated in Sweden with registered office at Strandvägen 7 A, 114 56 Stockholm)	100	