

N M Rothschild & Sons Limited

Annual Report 2015

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The Rothschild Group

N M Rothschild & Sons Limited ("NMR") is part of the Rothschild Group which is one of the world's largest independent financial advisory groups, employing approximately 2,800 people in 40 countries around the world. We provide strategic, M&A, wealth management and fundraising advice and services to governments, companies and individuals worldwide.

North America

Los Angeles
Mexico City
New York
Reno
Toronto
Washington

Europe and The Middle East

Abu Dhabi	Doha	Lisbon	Prague
Amsterdam	Dubai	London	Sofia
Athens	Frankfurt	Luxembourg	Stockholm
Barcelona	Geneva	Madrid	Tel Aviv
Birmingham	Guernsey	Manchester	Warsaw
Brussels	Istanbul	Milan	Zurich
Bucharest	Kiev	Moscow	
Budapest	Leeds	Paris	

South America

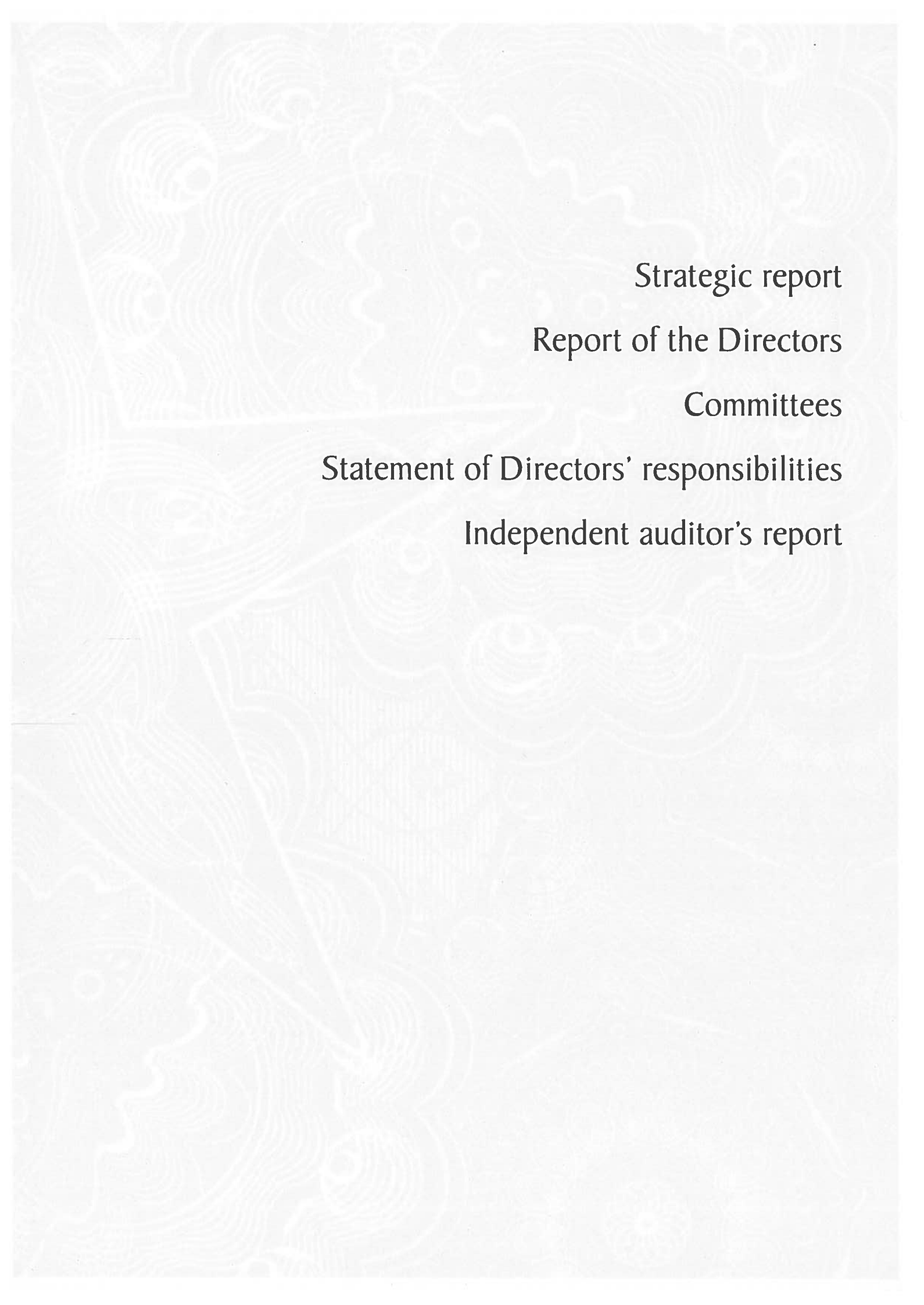
Santiago
São Paulo

Africa

Johannesburg

Asia Pacific

Auckland	Mumbai
Beijing	Seoul
Hanoi	Shanghai
Hong Kong	Singapore
Jakarta	Sydney
Kuala Lumpur	Tokyo
Manila	Wellington
Melbourne	



Strategic report
Report of the Directors

Committees

Statement of Directors' responsibilities

Independent auditor's report

Strategic report

Principal activities

N M Rothschild & Sons Limited ("NMR" or "the Company") is the main UK operating entity of the wider Rothschild Group which is consolidated under Paris Orléans, the French listed parent company. The main activities of the Company and its subsidiary undertakings (together "the NMR Group") are:

- Global Financial Advisory, where Rothschild's business is a world leader in the provision of impartial, expert advice and execution services to governments, corporations, institutions and individuals. Alongside our UK advisory business, NMR owns 50% of Rothschild Europe BV and 100% of Rothschild Australia Limited. The remaining 50% of Rothschild Europe BV is owned by Rothschild et Cie Banque, the Paris Orléans Group's principal operating business in France.
- Asset management, principally in the area of Debt Fund Management, for a number of CLO, leveraged debt and mezzanine debt vehicles.
- Banking and Asset Finance, where the NMR Group offers services in private client banking, commercial lending, asset finance and treasury. This includes the provision of asset financing to companies and local authorities by NMR's Five Arrows Leasing subsidiaries. The legacy commercial loan book continues to be managed down.

NMR Group's strategy continues to focus on developing our advisory and asset management businesses while reducing legacy balance sheet risks.

Further information on the Rothschild and Paris Orléans Group can be found on the corporate websites www.rothschild.com and www.paris-orleans.com.

Results overview

The consolidated profit before tax for the year to 31 March 2015 has increased to £77.0m, an improvement of £22.4m (41%) on the prior year. This improvement is primarily due to a very good performance across the Global Financial Advisory business for which fees increased by 26%.

The Rothschild Group's Global Financial Advisory business continues to be ranked number 1 in Europe by number of deals and is one of the top ranked global advisory businesses.

The Debt Fund Management business continues to develop with assets under management of €1.5bn at the year end after the successful close of the second Contego CLO at €360m and first close for Oberon II at €250m.

Key Performance Indicators (£m)	2015	2014
Profit before tax	77.0	54.6
Internal leverage ratio*	1.6	1.9
PRA Liquidity Coverage Ratio – 3 mths	193%	173%
Total Capital Ratio	17.1%	16.7%

*Total assets (excluding cash equivalents and government securities) over total equity

In Banking, the Group continues to expand the Five Arrows asset finance business with further small bolt-on acquisitions and organic growth. Good progress is being made managing down the legacy commercial lending book.

Overall, this resulted in a 20% improvement in total operating income and this increased activity resulted in a rise of 17% in operating expenses.

The results are after impairment losses on loans and advances and debt and equity securities of £12.3m, mainly relating to legacy exposures in Eastern Europe which were affected by the Ukraine conflict and fully provided for. This compares to the prior year's credit impairments of £5.8m and goodwill impairments of £5.4m.

The tax charge includes a £6.5m provision against deferred tax assets following the UK's enactment of bank loss relief restrictions, partly offset by a £1.9m credit relating to prior year tax adjustments. The prior year tax charge included a £4.0m impact on deferred tax assets from the UK corporation tax rate reducing to 20% in 2015.

Balance sheet

The year has seen further progress in reducing balance sheet risks with total assets down £201m to £1,639m. The Group's leverage ratio, adjusted to exclude cash equivalents and high quality government securities, has again improved to 1.6 times. The balance sheet reduction has focused on managing down the legacy commercial lending book and this year has seen a further significant fall in loans and advances to customers and available-for-sale debt securities which reduced by 12% to £505m.

Strategic report

Funding and liquidity

At the year-end 45% of the balance sheet was held with the UK central bank or in short-term advances to banks. The Group's deposit base includes Rothschild Reserve, a fixed term retail deposit product for UK residents, two offerings of which mature in the period to September 2016. The Group has continued to make offerings which have enabled, and should continue to enable, the Group to retain a comfortable liquidity coverage ratio well in excess of regulatory requirements.

Since the balance sheet date, a fellow subsidiary of Paris Orléans which owns New Court, our London headquarters, has successfully refinanced its loan facilities for 20 years. As part of this refinancing, NMR agreed to extend the lease of the building for a further 5 years and benefited from a £25.0m return of capital from that fellow subsidiary.

Further information regarding the Group's liquidity risk is provided in note 2.4.

Capital and dividends

Over the course of the year, total equity has increased by £12.0m after the payment of a £13.0m interim dividend. No final dividend is being proposed. The Group's total capital ratio at 31 March 2015 under CRD IV rules has improved to 17.1% and continues to be well above regulatory requirements despite the impact of increased capital deductions under the new CRD IV environment. Details of the Group's regulatory capital requirements are disclosed in note 2.6.

Governance and risk management

The NMR Group is an integral part of the wider Paris Orléans Group and, as such, the governance and risk management framework operates within the overall Paris Orléans Group structure, while ensuring the requirements of the NMR Group are fully covered. The key governance committees to which the NMR Board has delegated authority are summarised on page 10.

The Chief Risk Officer co-ordinates policy and promotes the development and maintenance of effective risk management procedures throughout the PO Group. Alongside this, our internal audit team reviews the internal control framework and reports its findings to the PO Group Audit Committee.

The key uncertainties to which the Group is exposed are the macroeconomic conditions in the markets in which we operate as well as changes in the regulatory environment. The key risks continue to be credit, market, liquidity, pension fund, regulatory and reputational and other operational risks. Further information regarding financial risk is disclosed in note 2 of the financial statements. These risks are closely monitored and controlled as part of the overall risk controls and are taken into account in the Board's periodic assessment of capital and liquidity adequacy (including the Individual Capital Adequacy Assessment Process ("ICAAP") and the Individual Liquidity Adequacy Assessment ("ILAA")). For a business such as ours, loss of key personnel is a material risk which the Group seeks to mitigate through training, career development and remuneration policies.

By Order of the Board



Nigel Higgins, Chief Executive Officer
New Court, St Swithin's Lane, London EC4N 8AL

22 June 2015

Report of the Directors

The Directors present their Directors' report and financial statements for the year ended 31 March 2015. An overview of the business and its performance is included in the Strategic report.

Corporate responsibility

The Group 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 Group'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.

The Group is committed to supporting charities, both in the areas in which it operates and in the wider community. The Charities Committee was established in 1975 to consider the hundreds of requests received every year from charities seeking financial support. The sum of £297,000 (2014: £355,000) was charged against the profits of the Company during the year in respect of gifts for charitable purposes. No political contributions were made during the year (2014: £nil).

Typical beneficiaries continue to include organisations concerned with elderly people, healthcare, social welfare and education. Requests for support from staff in respect of charitable causes with which they are associated, or have an involvement, are actively encouraged.

Rothschild in the Community

Rothschild in the Community builds on the wider Rothschild Group's long history of supporting the communities in which it operates, providing opportunities for our people to volunteer in disadvantaged areas close to our offices. We seek to invest in long term partnerships with schools and community organisations in ways which have a measurable impact on the lives of others, believing that a successful community programme benefits our company as well as the community.

Through our partnerships with three local schools we have this year been able to help more than 50 students aged 14-18 to plot a path to success through our Gifted and Talented Mentoring and Work Experience Programme. We have provided insights into the world of work to many more young people through a series of Careers Days, run in partnership with educational charities Teach First and Future First, and this year has also seen the Group seeking to promote employment opportunities to local school-leavers, with four young people keen to get a head start on their careers instead of going to university having been recruited into entry-level roles.

Alongside our well-established support for young people, we have begun to introduce a wider range of mentoring and coaching opportunities in recognition of the impact we are able to make when we share our skills at organisational level as well as on the front line. Our volunteers have recently piloted schemes supporting the professional development of teachers, charity managers and social entrepreneurs.

In 2014-15 more than 50% of London staff volunteered through Rothschild in the Community, and we invested almost 4000 hours in community projects. Our work with schools has been recognised for the sixth year running through Business in the Community's Awards for Excellence.

Environmental management

We acknowledge that the Group's operations have an impact on the environment, particularly in respect of energy and water use, business travel, generation of waste, and the greenhouse gases associated with all of these. We report at Paris Orléans Group level against these key indicators. Additionally, in the UK, we report our energy use annually to the Environment Agency through the CRC Energy Efficiency Scheme.

In the office we pursue a range of initiatives designed to reduce waste and promote environmental awareness. Our green initiatives include a comprehensive mixed recycling scheme, food composting in our kitchens, provision of filtered tap water in place of bottled water in meeting rooms, reuse of printer toner cartridges, purchase of recycled paper and printers set to print double-sided as standard. A network of volunteer Green Champions helps to drive day-to-day improvements and encourages the roll-out of new initiatives. One such initiative this year was the introduction of reusable 'Keep Cups' in our cafe, reducing our consumption of disposable coffee cups.

Beyond the office, we are supporters of the London Wildlife Trust. This year 87 volunteers took part in conservation-based volunteering days at sites of special wildlife interest in London, helping to preserve the habitats of endangered species and safeguarding important green spaces for future generations.

Report of the Directors

Staff

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

The recruitment, training, career development and promotion of disabled persons is 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 Group and, if necessary, appropriate training is provided.

Directors

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

Peter Smith (Non-executive Chairman)
David de Rothschild – resigned 1 May 2014
Anthony Alt (Deputy Chairman)
Nigel Higgins (Chief Executive Officer) – appointed 1 December 2014
Peter Barbour
Christopher Coleman – appointed 24 October 2014
Andrew Didham
Anthony Salz
Jonathan Westcott – appointed 24 October 2014
Daniel Bouton (Non-executive)
Mark Evans (Non-executive) – resigned 19 June 2014
Eric de Rothschild (Non-executive) – resigned 19 June 2014

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.

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 auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By Order of the Board



Helen Horton, Secretary
New Court, St Swithin's Lane, London EC4N 8AL

22 June 2015

Committees

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

PO Group Committees which determine overall strategy

PO Group Management Committee

The purpose of the Group Management Committee is to formulate strategy for the Rothschild 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 (Chairman and Co-Chief Executive Officer), Paul Barry, Mark Crump, Veit de Maddalena, Alexandre de Rothschild, Jean-Louis Laurens, Marc-Olivier Laurent, Robert Leitão, Richard Martin, Alain Massiera, Olivier Pécoux (Co-Chief Executive Officer), Bruno Pfister, Gary Powell, Jonathan Westcott.

PO Group Assets and Liabilities Committee

This committee is responsible for ensuring that the Group has prudent funding and liquidity strategies, for the efficient management and deployment of capital resources and for the oversight of the Group's other financial strategies and policies set by PO Gestion SAS, the manager of the Group's ultimate parent.

Membership

Anthony Alt (Chairman), Peter Barbour, Christian Bouet, Christopher Coleman, Paul Copsey, Alain Cornu-Thenard, Mark Crump, Andrew Didham, Adam Greenbury, Richard Martin, Philip Yeates.

Committees of the Company which have oversight responsibilities

Credit Committee

This committee authorises and reviews all credit exposure to new and existing counterparties. Exposures exceeding certain limits are subject to ratification by the PO Group Assets and Liabilities Committee.

Membership

Andrew Didham (Chairman), Michael Clancy, Christopher Coleman, Paul Copsey, Adam Greenbury, Peter Griggs, John King, Debra Lewis, Philip Yeates.

New Client Acceptance Committee

This committee approves, from a reputational, money laundering and due diligence perspective, all new clients to be accepted by the Global Financial Advisory business.

Membership

Crispin Wright (Chairman), Sarah Blomfield, Adam Greenbury, Nicholas Ivey, Axel Stafflage, Albrecht Stewen, Stuart Vincent, William Wells, Jonathan Westcott, Adam Young.

PO Group Committees which have oversight responsibilities

PO Group Audit Committee

This committee supervises and reviews the Group's internal audit arrangements, liaises with the PO 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.

PO Group Remuneration and Nomination Committee

This committee sets remuneration policies for the Group, oversees the annual remuneration review and approves proposals for promotion.

Membership

Sylvain Héfès (Chairman), André Lévy-Lang, Peter Smith, Luisa Todini.

PO Group Risk Committee

This committee formulates adequate risk identification, measurement, monitoring and control policies and procedures that reflect the Group's risk profile and monitors on a consolidated basis the material risks of the Group.

Membership

Sipko Schat (Chairman), Daniel Daeniker.

Statement of Directors' responsibilities in respect of the strategic report, the report of the Directors and the financial statements

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 Group and Parent Company financial statements for each financial year. Under that law the Directors have elected to prepare both the Group and the Parent Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the 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 Group and Parent Company and of the profit or loss of the Group and Parent Company for that period.

In preparing each of the Group and the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

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

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

We have audited the Group and Parent Company financial statements (the "financial statements") of N M Rothschild & Sons Limited for the year ended 31 March 2015 set out on pages 14 to 81. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at: www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

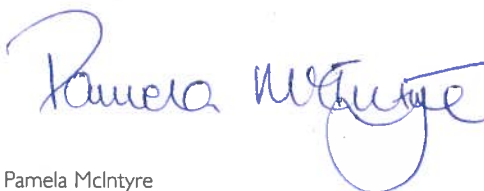
Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.



Pamela McIntyre
(Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

22 June 2015



Financial statements

Consolidated income statement

For the year ended 31 March 2015

	Note	2015 £'000	2014 ¹ £'000
Interest and similar income	4	43,320	47,765
Interest expense and similar charges	4	(20,768)	(26,759)
Net interest income		22,552	21,006
Fee and commission income	5	456,918	368,546
Fee and commission expense	5	(33,094)	(18,009)
Net fee and commission income		423,824	350,537
Net trading income	6	1,245	530
Other operating income	7	13,261	13,064
Total operating income		460,882	385,137
Impairment losses on loans and other credit risk provisions	11,12	(11,346)	(4,854)
Other impairment losses on available-for-sale equities	12	(944)	(926)
Net operating income		448,592	379,357
Operating expenses	8	(366,545)	(313,704)
Depreciation, amortisation and impairment of non-financial assets	17,18	(9,922)	(15,984)
Share of profit in associates and joint ventures	15	4,866	4,951
Profit before tax		76,991	54,620
Tax	10	(25,433)	(20,185)
Profit after tax*		51,558	34,435

¹ Certain prior year amounts have been restated as explained in note 1 (page 22).

* Of the £51,558,000 (2014: £34,435,000) profit after tax, £33,058,000 (2014: £16,650,000) is attributable to ordinary shareholders of the parent company, £7,415,000 (2014: £7,979,000) is attributable to holders of perpetual instruments and £11,085,000 (2014: £9,806,000) is attributable to other non-controlling interests.

The notes on pages 22 to 81 form an integral part of these financial statements

Consolidated statement of comprehensive income

For the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Profit after tax		51,558	34,435
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement losses on defined benefit pension funds	21	(22,248)	(3,389)
Income tax thereon	10	4,438	(5,156)
		(17,810)	(8,545)
Items that may be reclassified subsequently to profit or loss			
Change in fair value of assets classified as available-for-sale		5,886	17,066
Net change in fair value of available-for-sale financial assets transferred to income statement		2,200	3,606
Amortisation of fair value of reclassified assets	11	838	2,181
Effective portion of changes in fair value of cash flow hedges		10	329
Exchange differences on translation of foreign operations		(5,841)	(4,356)
Income tax on items that may be reclassified to profit or loss	10	(650)	(5,436)
		2,443	13,390
Other comprehensive income for the financial year, net of tax		(15,367)	4,845
Total comprehensive income for the financial year		36,191	39,280
Attributable to			
– Ordinary shareholders of the parent		20,228	22,011
– Holders of perpetual instruments		7,415	7,979
– Other non-controlling interests		8,548	9,290
		36,191	39,280

The notes on pages 22 to 81 form an integral part of these financial statements

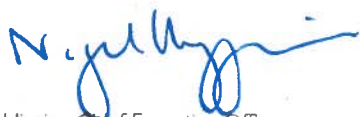
Consolidated balance sheet

At 31 March 2015

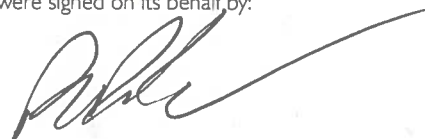
	Note	2015 £'000	2014 ¹ £'000
Assets			
Cash and balances at central banks		639,247	759,864
Loans and advances to banks	11	94,165	76,884
Loans and advances to customers	11	395,797	451,273
Debt and equity securities	12	207,450	219,710
Derivatives	13	15,227	12,222
Other assets	14	118,125	132,658
Current tax assets		2,761	2,555
Investments in associates and joint ventures	15	38,827	44,652
Intangible assets	17	10,827	11,567
Property, plant and equipment	18	53,673	55,926
Deferred tax assets	20	63,170	73,106
Total assets		1,639,269	1,840,417
Liabilities			
Deposits by banks		281,027	316,255
Customer deposits		463,825	656,418
Derivatives	13	610	1,382
Other liabilities	19	154,438	147,375
Current tax liabilities		11,059	8,932
Deferred tax liabilities	20	-	378
Accruals and deferred income		193,753	187,100
Total liabilities		1,104,712	1,317,840
Equity			
Share capital	28	57,655	57,655
Share premium account		97,936	97,936
Retained earnings		221,118	218,427
Other reserves		7,931	3,018
Total shareholders' equity attributable to ordinary shareholders		384,640	377,036
Non-controlling interests	27	25,582	21,206
Perpetual instruments	29	124,335	124,335
Total equity		534,557	522,577
Total equity and liabilities		1,639,269	1,840,417

¹ Certain prior year amounts have been restated as explained in note 1 (page 22).

The accounts on pages 14 to 81 were approved by the Board of Directors and were signed on its behalf by:



Nigel Higgins, Chief Executive Officer
22 June 2015



Peter Barbour, Director
22 June 2015

The notes on pages 22 to 81 form an integral part of these financial statements

Consolidated statement of changes in equity

For the year ended 31 March 2015

	Share capital £'000	Share premium £'000	Retained earnings £'000	Translation reserve £'000	Available- for-sale reserve £'000	Hedging reserve £'000	Perpetual instruments £'000	Non- controlling interests £'000	Total equity £'000
At 1 April 2014	57,655	97,936	218,427	10,650	(7,626)	(6)	124,335	21,206	522,577
Acquisition of subsidiary	-	-	-	-	-	-	-	61	61
Total comprehensive income for the period	-	-	15,315	(3,371)	8,276	8	7,415	8,548	36,191
Dividends	-	-	(13,000)	-	-	-	-	(4,284)	(17,284)
Equity-settled share-based payments	-	-	376	-	-	-	-	51	427
Interest on perpetual instruments	-	-	-	-	-	-	(9,386)	-	(9,386)
- Tax thereon	-	-	-	-	-	-	1,971	-	1,971
At 31 March 2015	57,655	97,936	221,118	7,279	650	2	124,335	25,582	534,557
At 1 April 2013	57,655	97,936	223,150	14,463	(25,119)	(259)	124,335	15,181	507,342
Total comprehensive income for the period	-	-	8,078	(3,813)	17,493	253	7,979	9,290	39,280
Dividends	-	-	(13,000)	-	-	-	-	(3,291)	(16,291)
Equity-settled share-based payments	-	-	199	-	-	-	-	26	225
Interest on perpetual instruments	-	-	-	-	-	-	(10,363)	-	(10,363)
- Tax thereon	-	-	-	-	-	-	2,384	-	2,384
At 31 March 2014	57,655	97,936	218,427	10,650	(7,626)	(6)	124,335	21,206	522,577

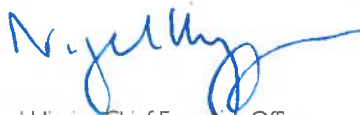
The notes on pages 22 to 81 form an integral part of these financial statements

Company balance sheet

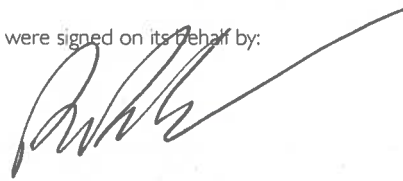
At 31 March 2015

	Note	2015 £'000	2014 £'000
Assets			
Cash and balances at central banks		639,240	759,857
Loans and advances to banks	11	7,916	13,564
Loans and advances to customers	11	362,379	412,937
Debt and equity securities	12	206,425	218,646
Derivatives	13	15,227	12,222
Other assets	14	84,642	86,544
Current tax assets		1,308	91
Shares in subsidiary undertakings	30	40,022	40,022
Investments in associates and joint ventures	15	34,766	40,198
Property, plant and equipment	18	39,487	43,580
Deferred tax assets	20	54,345	61,905
Total assets		1,485,757	1,689,566
Liabilities			
Deposits by banks		281,027	316,255
Customer deposits		477,048	663,280
Derivatives	13	610	1,382
Other liabilities	19	125,738	110,163
Accruals and deferred income		150,892	148,294
Total liabilities		1,035,315	1,239,374
Equity			
Share capital	28	57,655	57,655
Share premium account		97,936	97,936
Perpetual instruments	29	124,335	124,335
Retained earnings		169,864	177,926
Other reserves		652	(7,660)
Total equity		450,442	450,192
Total equity and liabilities		1,485,757	1,689,566

The accounts on pages 14 to 81 were approved by the Board of Directors and were signed on its behalf by:



Nigel Higgins, Chief Executive Officer
22 June 2015



Peter Barbour, Director
22 June 2015

The notes on pages 22 to 81 form an integral part of these financial statements

Company statement of changes in equity

For the year ended 31 March 2015

	Share capital £'000	Share premium £'000	Retained earnings £'000	Available- for-sale reserve £'000	Hedging reserve £'000	Perpetual instruments £'000	Total equity £'000
At 1 April 2014	57,655	97,936	177,926	(7,654)	(6)	124,335	450,192
Profit for the financial year	-	-	22,302	-	-	7,415	29,717
Other comprehensive income							
Items that will not be reclassified to profit or loss:							
Remeasurement losses on defined benefit pension funds	-	-	(22,111)	-	-	-	(22,111)
Income tax thereon	-	-	4,422	-	-	-	4,422
	-	-	(17,689)	-	-	-	(17,689)
Items that may be reclassified subsequently to profit or loss:							
Change in fair value of assets classified as available-for-sale	-	-	-	5,886	-	-	5,886
Net change in fair value of available-for-sale financial assets transferred to income statement	-	-	-	2,228	-	-	2,228
Amortisation of fair value of reclassified financial assets	-	-	-	838	-	-	838
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	10	-	10
Income tax on items that may be reclassified to profit or loss	-	-	-	(648)	(2)	-	(650)
	-	-	-	8,304	8	-	8,312
Other comprehensive income for the financial year net of income tax	-	-	(17,689)	8,304	8	-	(9,377)
Total comprehensive income for the financial year	-	-	4,613	8,304	8	7,415	20,340
Other items							
Dividends paid	-	-	(13,000)	-	-	-	(13,000)
Equity-settled share-based payments	-	-	325	-	-	-	325
Interest on perpetual instruments	-	-	-	-	-	(9,386)	(9,386)
- Tax thereon	-	-	-	-	-	1,971	1,971
At 31 March 2015	57,655	97,936	169,864	650	2	124,335	450,442

The notes on pages 22 to 81 form an integral part of these financial statements

Company statement of changes in equity (continued)

	Share capital £'000	Share premium £'000	Retained earnings £'000	Available-for-sale reserve £'000	Hedging reserve £'000	Perpetual instruments £'000	Total equity £'000
At 1 April 2013	57,655	97,936	194,209	(26,112)	(259)	124,335	447,764
Profit for the financial year	–	–	5,137	–	–	7,979	13,116
Other comprehensive income							
Items that will not be reclassified to profit or loss:							
Remeasurement losses on defined benefit pension funds	–	–	(3,451)	–	–	–	(3,451)
Income tax thereon	–	–	(5,142)	–	–	–	(5,142)
	–	–	(8,593)	–	–	–	(8,593)
Items that may be reclassified subsequently to profit or loss:							
Change in fair value of assets classified as available-for-sale	–	–	–	17,309	–	–	17,309
Net change in fair value of available-for-sale financial assets transferred to income statement	–	–	–	4,532	–	–	4,532
Amortisation of fair value of reclassified financial assets	–	–	–	2,181	–	–	2,181
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	329	–	329
Income tax on items that may be reclassified to profit or loss	–	–	–	(5,564)	(76)	–	(5,640)
	–	–	–	18,458	253	–	18,711
Other comprehensive income for the financial year net of income tax	–	–	(8,593)	18,458	253	–	10,118
Total comprehensive income for the financial year	–	–	(3,456)	18,458	253	7,979	23,234
Other items							
Dividends paid	–	–	(13,000)	–	–	–	(13,000)
Equity-settled share-based payments	–	–	173	–	–	–	173
Interest on perpetual instruments	–	–	–	–	–	(10,363)	(10,363)
– Tax thereon	–	–	–	–	–	2,384	2,384
At 31 March 2014	57,655	97,936	177,926	(7,654)	(6)	124,335	450,192

The notes on pages 22 to 81 form an integral part of these financial statements

Cash flow statements

For the year ended 31 March 2015

Note	2015 Group £'000	2015 Company £'000	2014 ¹ Group £'000	2014 Company £'000
Cash flow from operating activities				
Profit before income tax for the financial year	76,991	40,007	54,620	21,997
Adjustments to reconcile net profit to cash flow from operating activities				
Non-cash items included in net profit and other adjustments				
Depreciation, amortisation and impairment of goodwill and fixed assets	9,922	4,144	15,984	5,303
Dividends from subsidiaries, associates and joint ventures	–	(15,954)	–	(16,360)
Share of operating profit of associates	(4,866)	–	(4,951)	–
Impairment of financial assets (net of recovery)	12,290	13,000	5,780	17,778
Loss on disposal of loans and available-for-sale assets	2,632	2,632	1,330	2,172
Equity-settled share-based payments	427	325	225	173
(Profit)/loss on disposal of fixed assets	(214)	6	(65)	–
	20,191	4,153	18,303	9,066
Net decrease/(increase) in operating assets				
Net due to/from banks (excluding cash equivalents)	(34,757)	(35,015)	5,052	3,670
Derivatives	(3,005)	(3,005)	10,294	10,294
Available-for-sale financial assets	16,357	16,318	46,505	46,741
Loans and advances to customers	45,603	39,781	147,432	145,314
Accrued income, prepaid expenses and other assets	14,369	1,902	23,888	23,397
	38,567	1,981	233,171	229,416
Net (decrease)/increase in operating liabilities				
Customer deposits	(192,593)	(186,232)	(277,919)	(277,750)
Derivatives	(762)	(762)	(1,830)	(1,830)
Accrued expenses and other liabilities	(8,765)	(3,938)	(60,218)	(47,852)
Income taxes (paid)/received	(7,964)	1,796	(7,347)	(1,675)
	(210,084)	(189,136)	(347,314)	(329,107)
Net cash flow (used in)/from operating activities	(74,335)	(124,995)	(41,220)	(68,628)
Cash flow (used in)/from investing activities				
Acquisition/increase in stake of subsidiaries, associates and joint ventures	(1,338)	–	(980)	(530)
Dividends received from subsidiaries, associates and joint ventures	4,472	15,954	4,722	16,360
Proceeds from disposal of subsidiaries, associates and joint ventures	5,432	5,432	1,711	1,711
Purchase of fixed assets	(6,733)	(57)	(5,681)	(95)
Disposal of fixed assets	1,180	–	788	–
Net cash flow (used in)/from investing activities	3,013	21,329	560	17,446
Cash flow used in financing activities				
Dividends paid	(13,000)	(13,000)	(13,000)	(13,000)
Interest paid on perpetual instruments	(9,386)	(9,386)	(10,363)	(10,363)
Distributions to non-controlling interests	(4,284)	–	(3,291)	–
Net cash flow used in financing activities	(26,670)	(22,386)	(26,654)	(23,363)
Net (decrease)/increase in cash and cash equivalents	(97,992)	(126,052)	(67,314)	(74,545)
Cash and cash equivalents at 1 April	833,154	773,208	902,884	847,753
Effect of exchange rate movements on cash and cash equivalents	(4,873)	–	(2,416)	–
Cash and cash equivalents at 31 March	25	730,289	647,156	833,154

¹ Certain prior year amounts have been restated as explained in note 1 (page 22).

² Group: cash paid and received for interest during 2015 was £24,788,000 (2014: £41,764,000) and £49,853,000 (2014: £50,506,000) respectively. Company: cash paid and received for interest during 2015 was £24,870,000 (2014: £41,038,000) and £28,188,000 (2014: £34,252,000) respectively.

The notes on pages 22 to 81 form an integral part of these financial statements

Notes to the financial statements

(forming part of the financial statements)

I. Summary of significant accounting policies

N M Rothschild & Sons Limited ("the Company") is a company incorporated in the United Kingdom. The Group financial statements consolidate those of the Company and its subsidiaries and jointly-controlled entities and equity account for the Group's interests in associates (together referred to as "the Group"). The Parent Company financial statements present information about the Company as a separate entity and not about its group. The accounting policies of the Group set out in this note also apply to the Parent Company financial statements unless otherwise stated.

Developments in reporting standards and interpretations

Standards affecting the financial statements

IFRS 10 Consolidated Financial Statements replaces IAS 27 Consolidated and Financial Statements and SIC-12 Consolidation – Special Purpose Entities. The new standard introduces a single model of assessing control. Control exists where an investor has the power to direct the activities of another entity in order to influence the returns to the investor. The application of IFRS 10 has not had a material impact on these financial statements.

IFRS 11 Joint Arrangements replaces IAS 31 Interests in Joint Ventures. The new standard requires all joint ventures to be equity accounted whereas, previously, the Group accounted for joint ventures by proportional consolidation. The change in accounting policy is to be applied retrospectively and, as a result, certain income statement and balance sheet categories have been restated. There is, however, no change in the profit of the Group or the amounts attributable to the various categories of shareholder so the overall impact is not significant. The restatement affects comparative disclosures in the consolidated income statement, balance sheet and cashflow statement as well as notes 2, 3, 4, 5, 8, 9, 14, 15, 19 and 21.

IFRS 12 Disclosure of Interests in Other Entities sets out new disclosure requirements in respect of interests in subsidiaries, joint arrangements and associates as well as introducing new requirements for unconsolidated structured entities. The new disclosure requirements are provided in notes 15 and 16.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting allows the continuation of hedge accounting on the novation of a hedging derivative, provided certain criteria are met. The amendment has not had a material impact on these consolidated financial statements.

IFRIC 21 Levies provides guidance on when to recognise a liability for a levy imposed by a government. IFRIC 21 identifies the obligating event for the recognition of a liability. If that obligating event occurs over a period of time, the levy is recognised proportionately. If it is triggered by a minimum threshold, the liability is recognised when that threshold is reached. This interpretation is to be applied retrospectively but does not have any material impact on these consolidated financial statements.

New Standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods ending after 31 March 2015 and therefore have not been applied in preparing these consolidated financial statements. The Group is currently reviewing these new standards to determine their effects on the Group's financial reporting. Those that may have a significant effect on the consolidated financial statements of the Group are:

Accounting standards first effective in the Group's 2018 financial statements

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. Whilst the full implications of the new standard have still to be assessed, it is currently not expected to have a material impact on future revenue recognition.

Notes to the financial statements

(forming part of the financial statements)

1. Summary of significant accounting policies (continued)

Accounting standards first effective in the Group's 2019 consolidated financial statements or later

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 Group is to replace the current categorisation of financial assets (held-to-maturity, fair value through profit and 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.

Basis of preparation

Both the Parent Company and the Group 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 and loss and all derivative contracts are stated at their fair value.

The Company has taken advantage of the exemption available in section 408 of the Companies Act 2006 not to present its individual income statement and related notes.

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

Basis of consolidation

The financial statements of the Group are made up to 31 March 2015 and consolidate the financial statements of the Company and its subsidiary undertakings.

Subsidiary undertakings

Subsidiary undertakings are all entities which are controlled by the Group. The Group '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. Subsidiary undertakings are fully consolidated from the date on which the Group acquires control, and cease to be consolidated from the date that control ceases.

The Group uses the acquisition method of accounting for the acquisition of subsidiary undertakings. The cost of an acquisition is measured as the fair value of the assets given as consideration, shares issued or liabilities undertaken at the date of acquisition. The excess of the cost of acquisition over the fair value of the net identifiable assets of the subsidiary undertaking acquired is recorded as goodwill. All inter-company transactions, balances and unrealised surpluses and deficits on transactions between group companies are eliminated on consolidation. The accounting policies used by subsidiary undertakings are consistent with the policies adopted by the Group.

In the Parent Company financial statements, 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 Group has significant influence, but not control, over the operating and financial management policy decisions. This is generally demonstrated by the Group 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 year, the Group only had interests in joint ventures.

The Group's investments in associates and joint ventures are initially recorded at cost. Subsequently they are increased or decreased by the Group's share of the post-acquisition profit or loss, or by other movements reflected directly in the equity of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the investment, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the undertaking. Positive goodwill arising on the acquisition of an associate or joint venture is included in the cost of the investment (net of any accumulated impairment loss).

In the Parent Company financial statements, investments in associates and joint ventures are carried at cost less any impairment losses.

Notes to the financial statements

(forming part of the financial statements)

I. Summary of significant accounting policies (continued)

Going concern

The Group'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 Group's capital and financial risks and provides details of its exposures to credit, market and liquidity risk. The Group 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 Group 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.

Foreign exchange

The consolidated financial statements are presented in sterling, rounded to the nearest thousand ("£'000"), unless otherwise stated. Sterling is the Company's functional currency and the Group's reporting currency. Items included in the financial statements of each of the Group's entities are measured using their functional currency. The functional currency is the currency of the primary economic environment in which the entity operates.

Income statements and cashflows of foreign operations are translated into the Group's reporting currency at average exchange rates for the period where these rates approximate to the foreign exchange rates ruling at the date of the transactions and their balance sheets are translated at the exchange rate at the end of the period. Exchange differences arising from the translation of the net investment in foreign subsidiary and associated undertakings and joint ventures are taken to shareholders' equity. On disposal of a foreign operation, these translation differences are recognised in the income statement as part of the gain or loss on sale.

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, except when deferred in equity as qualifying cash flow hedges. 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

Derivative financial instruments and hedge accounting

Derivatives

Derivatives are entered into for trading and risk management purposes. Derivatives used for risk management are accounted for as hedges where they qualify as such under IAS 39.

Derivatives are initially recognised at fair value and are subsequently measured at fair value with changes in fair value recognised in the income statement except that, where derivatives qualify for hedge accounting, recognition of any gain or loss depends on the nature of the item being hedged and the hedge relationship.

Notes to the financial statements

(forming part of the financial statements)

I. Summary of significant accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

Hedge accounting

The Group may apply either fair value or cash flow hedge accounting when transactions meet the criteria for hedge accounting treatment set out in IAS 39. At the inception of the hedge, the Group assesses whether the hedging derivatives meet the effectiveness criteria of IAS 39 in offsetting changes in the fair value or cashflows of the hedged items. The Group then documents the relationship between the hedging instrument and the hedged item. It also records its risk management objectives, its strategy for undertaking the hedge transaction and the methods used to assess the effectiveness of the hedging relationship.

After inception, effectiveness is tested on an on-going basis. Hedge accounting is discontinued when it is determined that a derivative has ceased to be highly effective, when the derivative or the hedged item is derecognised, or when the forecast transaction is no longer expected to occur.

Fair value hedge accounting

Changes in value of fair value hedge derivatives are recorded in the income statement, together with fair value changes to the underlying hedged item in respect of the risk being hedged.

If the hedge no longer meets the criteria for hedge accounting, the difference between the carrying value of the hedged item on termination of the hedging relationship and the value at which it would have been carried had the hedge never existed is amortised to the income statement over the residual period to maturity based on a recalculated effective interest rate.

Cash flow hedge accounting

Changes in the fair value of the effective portion of derivatives designated as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised in the income statement. Amounts accumulated in equity are recycled to the income statement when the item being hedged impacts profit or loss.

When hedge accounting is discontinued, any cumulative gain or loss in equity remains in equity and is only recognised in the income statement when the hedged item is recognised in the income statement. When the forecast transaction is no longer expected to occur, the cumulative balance in equity is immediately transferred to the income statement.

Interest income and expense

Interest income and expense represents interest arising out of banking activities, including lending and deposit-taking, interest on related hedging transactions and interest on debt securities. Net interest arising from interest rate instruments held for trading is included in trading income. Interest income and expense is recognised in the income statement using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the estimated future cashflows of a financial instrument to its net carrying amount. It is used to calculate the amortised cost of a financial asset or a financial liability and to allocate the interest over the relevant period (usually the expected life of the instrument). When calculating the effective interest rate, the Group 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.

Fee and commission income

The Group 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.

Notes to the financial statements

(forming part of the financial statements)

I. Summary of significant accounting policies (continued)

Financial assets and liabilities

The Group 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 Group does not hold any assets that are classified as held-to-maturity investments.

Financial assets at fair value through profit or loss

This category comprises financial assets held for trading (i.e. primarily acquired for the purpose of selling in the short term), assets designated as fair value through profit and loss, and derivatives that are not designated as cashflow hedges. 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 or on derecognition are recognised in the income statement as net trading income. Interest and dividend income from financial assets at fair value through profit or loss is recognised in trading income.

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 which are intended to be sold in the short term are classified as held for trading and are recorded at fair value through profit or loss.

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 derecognition of loans and receivables are recognised in other operating income.

Financial assets that have been reclassified as loans and advances out of the available-for-sale category are reclassified at fair value on the date of reclassification and are subsequently measured at amortised cost using the effective interest rate method. Any gain or loss recognised in equity prior to reclassification is amortised to the income statement over the remaining maturity of the financial asset.

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 equity 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 equity. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group'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 generally classified as at fair value through profit or loss on initial recognition (unless designated as cash flow hedges).

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

Notes to the financial statements

(forming part of the financial statements)

I. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Derecognition

The Group 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 Group establishes fair value by using appropriate valuation techniques. These include the use of recent arm's length transactions, discounted cashflow analysis, option pricing models 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.

Securitisation transactions

The Group may enter into funding arrangements with lenders in order to finance specific financial assets.

In general, the assets from these transactions are held on the Group's balance sheet on origination. However, to the extent that substantially all the risks and returns associated with the assets have been transferred to a third party, the assets are derecognised in whole or in part.

Interests in securitised financial assets may be taken in the form of senior or subordinated tranches of debt securities, or other residual interests. Such interests are primarily recorded as available-for-sale assets.

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.

Notes to the financial statements

(forming part of the financial statements)

I. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Impairment of loans and advances

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. 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 and for homogeneous groups of loans that are not considered individually significant. 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 Group'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 year 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 equity 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 equity. 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.

Notes to the financial statements

(forming part of the financial statements)

I. Summary of significant accounting policies (continued)

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 Group to deliver cash (or another financial asset) to another entity. Where there is no such contractual obligation, the Group 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 Group 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.

Goodwill

Goodwill in a subsidiary or an associated undertaking represents the excess, at the date of acquisition, of an acquisition's cost over the fair value of the Group's share of net identifiable assets acquired. Identifiable intangible assets are those which can be sold separately or which arise from legal rights regardless of whether those rights are separate.

When the Group increases its stake in an entity which it already controls, any difference between the price paid for the additional stake and the increase in the net assets acquired by the Group is recognised directly in equity.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is tested annually for impairment, or more frequently when circumstances indicate that its carrying amount is too high.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets

Intangible assets comprise acquired intellectual property rights and future servicing rights, which are carried at cost less accumulated amortisation and impairment losses. The intellectual property rights are amortised on the basis of an estimated useful life of 10 years. The future servicing rights are amortised over the servicing period as the fees from servicing are recognised. Intangible assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. If such evidence exists, an impairment test is performed to estimate the recoverable amount of the assets and, if necessary, an impairment charge is recognised in the income statement.

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.

Notes to the financial statements

(forming part of the financial statements)

I. Summary of significant accounting policies (continued)

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.

Where the Group is the lessor

Finance leases

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised in interest income over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

Operating leases

Assets acquired for use by customers under operating lease agreements, including initial direct costs incurred in negotiating an operating lease, are capitalised and included in the relevant category of fixed assets. Depreciation is charged on a straight-line basis to write the value of the asset down to the expected residual value over a period consistent with other assets of a similar type.

Operating lease income and the initial direct costs are recognised in other operating income on a straight-line basis over the period of the lease.

Where the Group is the lessee

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 balances with original maturities of three months or less, including cash and non-restricted balances with central banks, certificates of deposit and loans and advances to banks.

Pensions

The Group's post-retirement benefit arrangements are described in note 21. The Group 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.

Remeasurement 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 annually by independent actuaries using the projected unit credit method. The principal assumptions are set out in note 21. 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.

Long term employee benefits

The Group operates long term 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 Group 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 remeasured at each reporting date. Such awards are recognised in the income statement over the vesting period.

Notes to the financial statements

(forming part of the financial statements)

I. Summary of significant accounting policies (continued)

Long term employee benefits (continued)

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 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. Where permitted deferred tax assets and deferred tax liabilities are only offset against each other within the same entity or within the same tax group.

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 Group 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 Group'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 to sell 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 it 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 Group. 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.

Notes to the financial statements

(forming part of the financial statements)

I. Summary of significant accounting policies (continued)

Accounting judgements and estimates (continued)

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 Group 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 Group believes that its allowances and provisions are reasonable and supportable.

Pensions

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method and the principal assumptions used are set out in note 21. 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 21.

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 Group has considered the period over which sufficient taxable profits would arise to utilise the deferred tax assets. During the year, the UK government announced restrictions on the ability of banks to utilise historic tax losses. This affects the period over which the deferred tax assets will be utilised and, accordingly, the Group has decided to derecognise £6.5 million of deferred tax assets. The Group considers that there will be sufficient profits to utilise deferred tax assets that remain recognised on the balance sheet within a reasonable time frame.

Goodwill

Goodwill is assessed at each balance sheet date to determine whether it is impaired. The assessment includes management assumptions on future income flows and judgements on appropriate discount rates. Management performs sensitivity analysis of these assumptions as part of this assessment. Further details of management's goodwill assessment is contained in note 17.

Notes to the financial statements

(forming part of the financial statements)

2. Financial risk management

2.1 Strategy in using financial instruments

The use of financial instruments is fundamental to the Group's banking and treasury activities. The Group provides a range of lending products to its clients and funds these activities by means of deposit-taking and other borrowings and uses derivatives principally to manage its exposure to interest rate and currency risk. Further information on derivative contracts and the Group's hedging strategies is set out in note 13. The key risks arising from the Group'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.
- Liquidity and funding risk – the risk that the Group 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 Group's lending, trading and investment activities. Limits on credit risk are set by the PO Group Management Committee and by the NMR Credit Committee. The NMR Credit Committee reviews concentrations and makes recommendations on credit decisions to the PO Group Assets and Liabilities Committee. Credit risk limits are set, where appropriate, in respect of exposures to individual clients or counterparties, to industry sectors and to countries.

Exposure to credit risk is managed by detailed analysis of client and counterparty creditworthiness prior to entering into an exposure, and by continued monitoring thereafter. A significant proportion of the Group's lending exposures is secured on property or other assets; the Group monitors the value of any collateral obtained. The Group also uses netting agreements to restrict credit exposure to counterparties. 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 NMR 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.

Notes to the financial statements

(forming part of the financial statements)

2. Financial risk management (continued)

2.2 Credit risk (continued)

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.

Group	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 March 2015							
Cash and balances at central banks	639,247	–	–	–	–	–	639,247
Derivatives	15,227	–	–	–	–	–	15,227
Loans and advances to banks	94,165	–	–	–	–	–	94,165
Loans and advances to customers	246,405	14,404	81,593	7,124	118,268	(71,997)	395,797
Debt securities	103,102	–	3,563	–	6,315	(3,691)	109,289
Commitments and guarantees	11,235	1,370	11	–	–	–	12,616
Other financial assets	71,601	–	–	12,625	2,855	(2,855)	84,226
Total	1,180,982	15,774	85,167	19,749	127,438	(78,543)	1,350,567

At 31 March 2014

Cash and balances at central banks	759,864	–	–	–	–	–	759,864
Derivatives	12,222	–	–	–	–	–	12,222
Loans and advances to banks	76,884	–	–	–	–	–	76,884
Loans and advances to customers	243,257	49,511	98,670	4,698	117,044	(61,907)	451,273
Debt securities	101,799	4,920	3,416	–	19,710	(8,555)	121,290
Commitments and guarantees	4,379	1,717	424	–	–	–	6,520
Other financial assets	116,485	–	–	6,944	4,771	(4,570)	123,630
Total	1,314,890	56,148	102,510	11,642	141,525	(75,032)	1,551,683

The table below analyses amounts past due but not impaired:

Group	Past due by < 6 months £'000	Past due by > 6 months £'000	Total £'000
At 31 March 2015			
Loans and advances to customers	5,553	1,571	7,124
Other financial assets	8,975	3,650	12,625
Total	14,528	5,221	19,749

At 31 March 2014

Loans and advances to customers	3,113	1,585	4,698
Other financial assets	4,365	2,579	6,944
Total	7,478	4,164	11,642

Notes to the financial statements

(forming part of the financial statements)

2. Financial risk management (continued)

2.2 Credit risk (continued)

Company	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 March 2015							
Cash and balances at central banks	639,240	-	-	-	-	-	639,240
Derivatives	15,227	-	-	-	-	-	15,227
Loans and advances to banks	7,916	-	-	-	-	-	7,916
Loans and advances to customers	222,695	14,404	83,623	1,349	110,628	(70,320)	362,379
Debt securities	103,102	-	3,563	-	6,315	(3,691)	109,289
Commitments and guarantees	142,575	1,370	11	-	-	-	143,956
Other financial assets	67,417	-	-	5,913	1,120	(1,120)	73,330
Total	1,198,172	15,774	87,197	7,262	118,063	(75,131)	1,351,337

At 31 March 2014							
Cash and balances at central banks	759,857	-	-	-	-	-	759,857
Derivatives	12,222	-	-	-	-	-	12,222
Loans and advances to banks	13,564	-	-	-	-	-	13,564
Loans and advances to customers	211,509	49,511	100,520	1,116	110,001	(59,720)	412,937
Debt securities	101,799	4,920	3,416	-	19,710	(8,555)	121,290
Commitments and guarantees	145,201	1,717	424	-	-	-	147,342
Other financial assets	72,441	-	-	5,109	2,184	(2,184)	77,550
Total	1,316,593	56,148	104,360	6,225	131,895	(70,459)	1,544,762

The table below analyses amounts past due but not impaired:

Company	Past due by < 6 months £'000	Past due by > 6 months £'000	Total £'000
At 31 March 2015			
Loans and advances to customers	292	1,057	1,349
Other financial assets	3,622	2,291	5,913
Total	3,914	3,348	7,262
At 31 March 2014			
Loans and advances to customers	-	1,116	1,116
Other financial assets	3,155	1,954	5,109
Total	3,155	3,070	6,225

Notes to the financial statements

(forming part of the financial statements)

2. Financial risk management (continued)

2.2 Credit risk (continued)

b. Collateral

The Group holds collateral against loans and advances to customers.

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

Specific collateral is readily identifiable, the majority of which will be charges over property or plant and equipment. 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 (levels 1 to 3) are covered by both specific and general collateral. Unimpaired amounts covered by specific collateral include property lending of £89 million and asset based lending of £210 million which is fully collateralised. Where a loan is deemed to be impaired (level 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 on a rolling basis. Management are able to roll forward a valuation for reporting purposes via a combination of specific knowledge of the collateral and the application of general indices.

The table below gives an estimate of the fair value of collateral that could be realised by the Group as security against exposures to customers that are individually impaired and past due but not impaired.

	Past due but not impaired 2015 £'000	Individually impaired 2015 £'000	Past due but not impaired 2014 £'000	Individually impaired 2014 £'000
Group				
Property	1,192	56,097	1,317	64,102
Commercial vehicles and other equipment	5,775	6,120	3,381	4,784
Guarantees and fixed or floating charges	-	-	-	2,600
Other	-	-	-	343
Collateral held	6,967	62,217	4,698	71,829
Amount of exposures collateralised (net of specific provisions)	7,124	64,737	4,698	81,319
Company				
Property	1,192	55,611	1,116	63,035
Guarantees and fixed or floating charges	-	-	-	2,600
Other	-	-	-	343
Collateral held	1,192	55,611	1,116	65,978
Amount of exposures collateralised (net of specific provisions)	1,349	58,128	1,116	74,277

Notes to the financial statements

(forming part of the financial statements)

2. Financial risk management (continued)

2.2 Credit risk (continued)

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 renegotiated. As at 31 March 2015, loans with a carrying value of £69.7 million had been extended (2014: £87.3 million), 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 March 2015 these amounted to £1.3 million (2014: £1.1 million).

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. As at 31 March 2015 the carrying value of all loans renegotiated was £23.2 million (2014: £54.6 million).

d. Credit risk concentrations

The Group 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.

The sector analysis is based on Global Industry Classification Standards and includes derivatives, loans and advances to banks, loans and advances to customers, debt securities, commitments and guarantees, but excludes "other financial assets".

Notes to the financial statements

(forming part of the financial statements)

2. Financial risk management (continued)

2.2 Credit risk (continued)

Credit risk by location	UK and Channel Islands £'000	Other Europe £'000	US and Canada £'000	Other £'000	Total £'000
Group					
At 31 March 2015					
Cash and balances at central banks	639,240	7	-	-	639,247
Derivatives	14,285	942	-	-	15,227
Loans and advances to banks	6,313	61,153	6,737	19,962	94,165
Loans and advances to customers	356,644	39,153	-	-	395,797
Debt securities	78,152	24,109	7,028	-	109,289
Commitments and guarantees	1,838	10,778	-	-	12,616
Other financial assets	40,025	30,176	2,935	11,090	84,226
Total	1,136,497	166,318	16,700	31,052	1,350,567

At 31 March 2014					
Cash and balances at central banks	759,857	7	-	-	759,864
Derivatives	10,546	1,676	-	-	12,222
Loans and advances to banks	9,380	47,583	6,648	13,273	76,884
Loans and advances to customers	363,353	79,460	2	8,458	451,273
Debt securities	62,586	55,483	2,064	1,157	121,290
Commitments and guarantees	423	6,097	-	-	6,520
Other financial assets	44,142	60,627	13,990	4,871	123,630
Total	1,250,287	250,933	22,704	27,759	1,551,683

Company

At 31 March 2015

Cash and balances at central banks	639,240	-	-	-	639,240
Derivatives	14,285	942	-	-	15,227
Loans and advances to banks	-	1,067	6,737	112	7,916
Loans and advances to customers	323,226	39,153	-	-	362,379
Debt securities	78,152	24,109	7,028	-	109,289
Commitments and guarantees	133,178	10,778	-	-	143,956
Other financial assets	38,862	27,722	2,935	3,811	73,330
Total	1,226,943	103,771	16,700	3,923	1,351,337

At 31 March 2014

Cash and balances at central banks	759,857	-	-	-	759,857
Derivatives	10,546	1,676	-	-	12,222
Loans and advances to banks	1,891	4,722	6,648	303	13,564
Loans and advances to customers	324,397	80,080	2	8,458	412,937
Debt securities	62,586	55,483	2,064	1,157	121,290
Commitments and guarantees	141,245	6,097	-	-	147,342
Other financial assets	48,372	23,353	2,222	3,603	77,550
Total	1,348,894	171,411	10,936	13,521	1,544,762

Notes to the financial statements

(forming part of the financial statements)

2. Financial risk management (continued)

2.2 Credit risk (continued)

Credit risk by industry sector	2015 £'000	2014 £'000
Group		
Materials	4,648	17,304
Industrials	105,214	62,813
Consumer discretionary	70,061	71,202
Consumer staples	18,551	33,511
Health care	9,475	7,446
Financial (see below)	166,887	155,799
Real estate (see below)	142,450	205,185
IT and telecoms	437	13,604
Governments and Central Banks	708,292	797,264
Private persons	3,054	5,506
Related party loans, commitments and guarantees	37,272	58,419
Total	1,266,341	1,428,053
Company		
Materials	22	13,498
Consumer discretionary	2,619	14,225
Consumer staples	–	12,938
Health care	2,737	1,286
Financial (see below)	80,483	92,473
Real estate (see below)	141,044	203,967
IT and telecoms	–	13,604
Governments and Central Banks	697,297	783,452
Private persons	3,052	5,506
Related party loans, commitments and guarantees	350,753	326,263
Total	1,278,007	1,467,212

Notes to the financial statements

(forming part of the financial statements)

2. Financial risk management (continued)

2.2 Credit risk (continued)

Financial and real estate sector exposures are analysed as follows:

Financial sector	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Short term interbank exposures	90,208	76,676	6,927	13,351
Investment grade securities	10,257	49,985	10,257	49,985
Cash/investment backed lending	13,057	–	9,974	–
Finance companies	–	3,062	–	3,062
Other	53,365	26,076	53,325	26,075
Total	166,887	155,799	80,483	92,473

Short term interbank lending and investment grade securities are held for liquidity management purposes.

Real estate sector	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Senior loans	121,308	159,740	119,902	158,522
Subordinated/mezzanine loans	21,142	45,445	21,142	45,445
Total	142,450	205,185	141,044	203,967

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 Group's activities in interest rate, currency, equity and debt markets and comprises interest rate, foreign exchange and equity and debt price risk. During the year, exposure to market risk has continued to be small in relation to capital, as trading activities have been focused on servicing client requirements rather than on proprietary risk-taking. Market risk arising in the Company's subsidiary undertakings is immaterial.

Limits on market risk exposure are set by the PO Group Assets and Liabilities Committee. Monitoring of market risk limits and determination of trading profits are undertaken, independently of the dealing area. Risk limits are complemented by other measures and controls, including stress testing to estimate the losses that could occur when markets behave in unusually volatile ways and with little liquidity.

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

Notes to the financial statements

(forming part of the financial statements)

2. Financial risk management (continued)

2.3 Market risk (continued)

Equities

The Group 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 Group's equity price risk by location.

Equity price risk by location	UK and Channel Islands £'000	Other Europe £'000	Total £'000
Group			
At 31 March 2015			
Equity investments	50,100	48,061	98,161
At 31 March 2014			
Equity investments	50,038	48,382	98,420
Company			
At 31 March 2015			
Equity investments	50,100	47,036	97,136
At 31 March 2014			
Equity investments	50,038	47,318	97,356

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

If the price of all the equities were to fall by 5 per cent, then for the Group there would be a post-tax charge to the income statement of £36,000 and a post-tax charge to equity of £3,885,000 (2014: £42,000 and £3,846,000 respectively), and for the Company there would be a post-tax charge to the income statement of £nil and a post-tax charge to equity of £3,885,000 (2014: £nil and £3,846,000 respectively). Similarly, if the price of all the equities and of those equities on which derivative instruments are dependent were to rise by 5 per cent, then for the Group there would be a post-tax credit to the income statement of £36,000 and a post-tax credit to equity of £3,885,000 (2014: £42,000 and £3,846,000 respectively), and for the Company there would be a post-tax credit to the income statement of £nil and a post-tax credit to the equity of £3,885,000 (2014: £nil and £3,846,000 respectively).

Notes to the financial statements

(forming part of the financial statements)

2. Financial risk management (continued)

2.3 Market risk (continued)

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.

	Group Long/(Short)		Company Long/(Short)	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
US\$	6,535	16,233	(85)	144
Euro	683	82	(1)	(432)
Other	16,859	7,843	45	111

If the value of these currencies fell by 5 per cent against sterling, then for the Group there would be a post-tax charge to the income statement of £963,000 (2014: £954,000) and for the Company there would be a post-tax credit to the income statement of £2,000 (2014: £7,000).

If the value of these currencies rose by 5 per cent against sterling, then for the Group there would be a post-tax credit to the income statement of £963,000 (2014: £954,000) and for the Company there would be a post-tax charge to the income statement of £2,000 (2014: £7,000).

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 by 1 per cent. This table includes all interest rate risk including that within the treasury and banking businesses and also the structural interest rate exposure that arose from the reinvestment of shareholders' funds.

	Group		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
£	(95)	(736)	(378)	(724)
US\$	47	192	47	192
Euro	(5)	84	(5)	84

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 Group is subject to both an internal liquidity policy, which has been reviewed and approved by the PO Group Assets and Liabilities Committee, and external regulatory requirements. Liquidity is measured on a behaviourally adjusted basis and on a stressed basis. The stressed behaviour of assets and liabilities can, in certain scenarios, be more adverse than their contractual maturity (for example, loans advanced to customers may not be repaid on their contractual maturity dates).

Liquidity is monitored daily independently of the front office Treasury staff responsible for day-to-day liquidity management.

The Group measures its liquidity risk quantitatively against a Liquidity Coverage Ratio ("LCR") limit in line with the requirements of the regulator's liquidity regime. The LCR considers the Group's eligible "Buffer" assets against the cumulative net cash flows payable under its most severe stress test. Only those assets of the highest quality can be treated as eligible for inclusion in the LCR.

The Group's internal liquidity policy requires it to keep an LCR in excess of 100% at the 3-month time horizon. At 31 March 2015, the LCR was significantly in excess of both this internal limit and regulatory requirements.

The tables below analyse the Group's financial assets and liabilities based on contractual maturity.

Notes to the financial statements

(forming part of the financial statements)

2. Financial risk management (continued)

2.4 Liquidity risk (continued)

Group	Demand/ next day £'000	2 days-3m £'000	3m-1yr £'000	> 1yr £'000	No fixed maturity £'000	Total £'000
At 31 March 2015						
Cash and balances at central banks	639,247	–	–	–	–	639,247
Loans and advances to banks	79,735	11,307	3,083	40	–	94,165
Derivatives	–	993	12,258	1,976	–	15,227
Loans and advances to customers	26,017	54,071	127,796	206,379	(18,466)	395,797
Debt and equity securities	–	50,200	10,274	48,815	98,161	207,450
Other financial assets	11,975	72,162	19	70	–	84,226
Total financial assets	756,974	188,733	153,430	257,280	79,695	1,436,112
Deposits by banks	278,836	2,191	–	–	–	281,027
Customer deposits	62,685	34,122	156,969	210,049	–	463,825
Derivatives	2	19	589	–	–	610
Other financial liabilities	–	12,328	799	–	–	13,127
Total financial liabilities	341,523	48,660	158,357	210,049	–	758,589
At 31 March 2014¹						
Cash and balances at central banks	759,864	–	–	–	–	759,864
Loans and advances to banks	66,773	6,331	398	3,382	–	76,884
Derivatives	2	1,088	4,938	6,194	–	12,222
Loans and advances to customers	43,698	84,803	117,316	225,277	(19,821)	451,273
Debt and equity securities	299	15,407	10,452	95,132	98,420	219,710
Other financial assets	2,777	120,740	2	111	–	123,630
Total financial assets	873,413	228,369	133,106	330,096	78,599	1,643,583
Deposits by banks	308,361	2,025	5,869	–	–	316,255
Customer deposits	66,411	83,904	252,542	253,561	–	656,418
Derivatives	115	752	333	182	–	1,382
Other financial liabilities	–	14,740	–	–	–	14,740
Total financial liabilities	374,887	101,421	258,744	253,743	–	988,795

¹ Certain prior year amounts have been restated as explained in note 1 (page 22).

Notes to the financial statements

(forming part of the financial statements)

2. Financial risk management (continued)

2.4 Liquidity risk (continued)

Company	Demand/ next day £'000	2 days-3m £'000	3m-1yr £'000	> 1yr £'000	No fixed maturity £'000	Total £'000
At 31 March 2015						
Cash and balances at central banks	639,240	–	–	–	–	639,240
Loans and advances to banks	7,916	–	–	–	–	7,916
Derivatives	–	993	12,258	1,976	–	15,227
Loans and advances to customers	26,103	28,686	73,668	251,742	(17,820)	362,379
Debt and equity securities	–	50,200	10,274	48,815	97,136	206,425
Other financial assets	–	73,330	–	–	–	73,330
Total financial assets	673,259	153,209	96,200	302,533	79,316	1,304,517
Deposits by banks	278,836	2,191	–	–	–	281,027
Customer deposits	76,060	33,970	156,969	210,049	–	477,048
Derivatives	2	19	589	–	–	610
Other financial liabilities	–	12,247	799	–	–	13,046
Total financial liabilities	354,898	48,427	158,357	210,049	–	771,371
At 31 March 2014						
Cash and balances at central banks	759,857	–	–	–	–	759,857
Loans and advances to banks	13,564	–	–	–	–	13,564
Derivatives	2	1,088	4,938	6,194	–	12,222
Loans and advances to customers	43,698	64,340	72,121	251,599	(18,821)	412,937
Debt and equity securities	299	15,407	10,452	95,132	97,356	218,646
Other financial assets	–	77,550	–	–	–	77,550
Total financial assets	817,420	158,385	87,511	352,925	78,535	1,494,776
Deposits by banks	309,730	2,025	4,500	–	–	316,255
Customer deposits	73,273	83,904	252,542	253,561	–	663,280
Derivatives	115	752	333	182	–	1,382
Other financial liabilities	–	14,659	–	–	–	14,659
Total financial liabilities	383,118	101,340	257,375	253,743	–	995,576

Notes to the financial statements

(forming part of the financial statements)

2. Financial risk management (continued)

2.5 Maturity of financial liabilities

The following tables show undiscounted contractual cash flows, including interest, payable by the Group and 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 Group or Company.

Group	Demand/ next day £'000	2 days -3m £'000	3m-1yr £'000	1yr-5yrs £'000	> 5yrs £'000	Total £'000
At 31 March 2015						
Deposits by banks	278,836	2,209	–	–	–	281,045
Customer deposits	62,685	36,253	170,339	218,406	–	487,683
Other liabilities	–	12,328	799	–	–	13,127
Total	341,521	50,790	171,138	218,406	–	781,855
Loan commitments and guarantees	–	12,616	–	–	–	12,616

At 31 March 2014¹						
Deposits by banks	308,365	2,031	5,914	–	–	316,310
Customer deposits	66,565	85,859	269,376	260,372	12,385	694,557
Other liabilities	–	14,740	–	–	–	14,740
Total	374,930	102,630	275,290	260,372	12,385	1,025,607
Loan commitments and guarantees	–	6,520	–	–	–	6,520

Company						
At 31 March 2015						
Deposits by banks	278,836	2,209	–	–	–	281,045
Customer deposits	76,060	36,101	170,339	218,406	–	500,906
Other liabilities	–	12,247	799	–	–	13,046
Total	354,896	50,557	171,138	218,406	–	794,997
Loan commitments and guarantees	–	143,956	–	–	–	143,956

At 31 March 2014						
Deposits by banks	309,734	2,031	4,545	–	–	316,310
Customer deposits	73,427	85,859	269,376	260,372	12,385	701,419
Other liabilities	–	14,659	–	–	–	14,659
Total	383,161	102,549	273,921	260,372	12,385	1,032,388
Loan commitments and guarantees	–	147,342	–	–	–	147,342

¹ Certain prior year amounts have been restated as explained in note 1 (page 22).

Notes to the financial statements

(forming part of the financial statements)

2. Financial risk management (continued)

2.6 Capital management

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

The Prudential Regulation Authority ("PRA") 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 requirement that the Company, and certain other subsidiaries which are part of its solo-consolidated regulatory group, are required to hold is largely determined by their balance sheets 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 annual Internal Capital Adequacy Assessment Process ("ICAAP"), which is subject to regulator 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 for the solo-consolidated group.

	2015 £m	2014 £m
Tier 1 capital		
Called up share capital	57.7	57.7
Share premium account	97.9	97.9
Retained earnings and other reserves	188.6	198.0
Deductions from tier 1 capital*	(119.8)	(131.9)
Common equity tier 1 capital	224.4	221.7
Total tier 1 capital	224.4	221.7
Tier 2 capital		
Perpetual subordinated notes	124.3	124.3
Deductions from tier 2 capital*	(78.5)	(94.8)
Total tier 2 capital	45.8	29.5
Total capital resources	270.2	251.2
Risk weighted assets (notional - unaudited)		
Credit risk	974.5	907.0
Market and counterparty risk	46.0	89.7
Operational risk	559.0	512.0
	1,579.5	1,508.7
Capital ratios (unaudited)		
Common equity tier 1 capital	14.2%	14.7%
Tier 1 capital	14.2%	14.7%
Total capital	17.1%	16.7%

* Deductions from tier 1 and tier 2 capital relate to intangible assets, deferred tax assets and equity or loan investments in/to subsidiaries or other related parties.

Notes to the financial statements

(forming part of the financial statements)

3. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell 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 it 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 Group. 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 include discounted cashflow techniques and option valuation models. The values derived from applying these techniques are significantly affected by judgements made on the choice of valuation model used and the assumptions made concerning factors such as the amounts and timing of future cashflows, discount rates, volatility, 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 deposits by banks.** The fair values of these instruments are materially the same as their carrying values due to their short term nature.
- **Loans and advances to customers.** 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.
- **Customer deposits.** The fair values of these instruments are determined by discounting the future cashflows at current market interest rates for deposits 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** 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 (ie as prices) or indirectly (ie 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)

3. Fair value of financial assets and liabilities (continued)

Financial assets and liabilities carried at amortised cost

Group	Carrying value £'000	Fair value £'000	Measured using		
			Level 1 £'000	Level 2 £'000	Level 3 £'000
At 31 March 2015					
Financial assets					
Loans and advances to banks	94,165	94,165	–	94,165	–
Loans and advances to customers	395,797	365,264	–	307,516	57,748
Other financial assets	84,226	84,226	–	84,226	–
Total	574,188	543,655	–	485,907	57,748
Financial liabilities					
Deposits by banks	281,027	280,988	–	280,988	–
Customer deposits	463,825	466,505	–	466,505	–
Other financial liabilities	13,127	13,127	–	13,127	–
Total	757,979	760,620	–	760,620	–

At 31 March 2014¹

Financial assets					
Loans and advances to banks	76,884	76,884	–	76,884	–
Loans and advances to customers	448,075	423,791	–	349,514	74,277
Other financial assets	123,630	123,630	–	123,630	–
Total	648,589	624,305	–	550,028	74,277
Financial liabilities					
Deposits by banks	316,255	316,255	–	316,255	–
Customer deposits	656,418	663,964	–	663,964	–
Other financial liabilities	14,740	14,740	–	14,740	–
Total	987,413	994,959	–	994,959	–

¹ Certain prior year amounts have been restated as explained in note 1 (page 22).

Company	Carrying value £'000	Fair value £'000	Measured using		
			Level 1 £'000	Level 2 £'000	Level 3 £'000
At 31 March 2015					
Financial assets					
Loans and advances to banks	7,916	7,916	–	7,916	–
Loans and advances to customers	362,379	331,886	–	274,138	57,748
Other financial assets	73,330	73,330	–	73,330	–
Total	443,625	413,132	–	355,384	57,748
Financial liabilities					
Deposits by banks	281,027	281,027	–	281,027	–
Customer deposits	477,048	479,748	–	479,748	–
Other financial liabilities	13,046	13,046	–	13,046	–
Total	771,121	773,821	–	773,821	–
At 31 March 2014					
Financial assets					
Loans and advances to banks	13,564	13,564	–	13,564	–
Loans and advances to customers	409,739	385,455	–	311,178	74,277
Other financial assets	77,550	77,550	–	77,550	–
Total	500,853	476,569	–	402,292	74,277
Financial liabilities					
Deposits by banks	316,255	316,255	–	316,255	–
Customer deposits	663,280	670,826	–	670,826	–
Other financial liabilities	14,659	14,659	–	14,659	–
Total	994,194	1,001,740	–	1,001,740	–

Notes to the financial statements

(forming part of the financial statements)

3. Fair value of financial assets and liabilities (continued)

Financial assets and liabilities carried at fair value

Group	Carrying value equal to fair value £'000	Measured using		
		Level 1 £'000	Level 2 £'000	Level 3 £'000
At 31 March 2015				
Financial assets				
Derivatives	15,227	–	15,227	–
Debt securities	109,289	68,302	39,107	1,880
Equity securities	98,161	26,471	1,219	70,471
Total	222,677	94,773	55,553	72,351
Financial liabilities				
Derivatives	610	–	610	–
Total	610	–	610	–

At 31 March 2014				
Financial assets				
Loans and advances to customers	3,198	–	3,198	–
Derivatives	12,222	–	12,222	–
Debt securities	121,290	33,838	84,872	2,580
Equity securities	98,420	27,454	986	69,980
Total	235,130	61,292	101,278	72,560
Financial liabilities				
Derivatives	1,382	–	1,382	–
Total	1,382	–	1,382	–

Company	Carrying value equal to fair value £'000	Measured using		
		Level 1 £'000	Level 2 £'000	Level 3 £'000
At 31 March 2015				
Financial assets				
Derivatives	15,227	–	15,227	–
Debt securities	109,289	68,302	39,107	1,880
Equity securities	97,136	25,446	1,219	70,471
Total	221,652	93,748	55,553	72,351
Financial liabilities				
Derivatives	610	–	610	–
Total	610	–	610	–
At 31 March 2014				
Financial assets				
Loans and advances to customers	3,198	–	3,198	–
Derivatives	12,222	–	12,222	–
Debt securities	121,290	33,838	84,872	2,580
Equity securities	97,356	26,390	986	69,980
Total	234,066	60,228	101,278	72,560
Financial liabilities				
Derivatives	1,382	–	1,382	–
Total	1,382	–	1,382	–

Notes to the financial statements

(forming part of the financial statements)

3. Fair value of financial assets and liabilities (continued)

Assets measured at fair value based on Level 3

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

Group and Company

	2015 £'000	2014 £'000
Available-for-sale financial assets		
At 1 April	72,560	73,767
Total gains and (losses)		
– in income statement (as "other operating income")	272	161
– through other comprehensive income ("change in fair value of assets classified as available-for-sale")	491	(487)
Settlements	(571)	(797)
Exchange and other movements	(401)	(84)
At 31 March	72,351	72,560

Total gains of £272,000 (2014: £161,000) were included in the income statement 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 March 2015 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 input
Available-for-sale debt securities	1,880	Discounted cashflow analysis	Discount rate, default and recovery data of underlying assets	1% increase in discount rate reduces fair value by £42,000 1% reduction in discount rate increases fair value by £43,000
Available-for-sale equity securities	50,000	External valuation based on asset value	n/a	n/a
	20,471	Valuations of the underlying businesses	Market based percentage of assets under management (2%)	0.1% decrease in assets under management multiple decreases fair value by £845,000
			Liquidity discount (20%)	10% increase in the liquidity discount would reduce fair value by £2,559,000

Notes to the financial statements

(forming part of the financial statements)

4. Net interest income

	2015 £'000	2014 ¹ £'000
Interest and similar income		
Loans and advances	40,249	46,218
Available-for-sale financial assets	1,988	1,547
Other	1,083	–
	43,320	47,765
Interest expense and similar charges		
Amounts due to banks and customers	20,768	26,759
	20,768	26,759

¹The prior year net interest income has been restated as explained in note 1 (page 22).

Included within interest income is £3,206,000 (2014: £3,914,000) in respect of interest income accrued on impaired financial assets.

5. Net fee and commission income

	2015 £'000	2014 ¹ £'000
Fee and commission income		
Banking and credit-related fees and commissions	698	1,689
Global financial advisory fees receivable	428,411	339,783
Other fees	27,809	27,074
	456,918	368,546
Fee and commission expense		
Global financial advisory fees payable	32,811	17,733
Other fees payable	283	276
	33,094	18,009

¹The prior year net fee and commission income has been restated as explained in note 1 (page 22).

Global financial advisory fees payable represent fees paid to other members of the Rothschild Group where the Company has worked in collaboration with another group company on a transaction, or fees paid to any subcontracted parties outside the Rothschild Group.

6. Net trading income

	2015 £'000	2014 £'000
Foreign exchange gains	801	11
Interest rate instruments – trading	441	495
Interest rate instruments – hedging	3	(1)
Equities designated as fair value through profit and loss	–	25
	1,245	530

Net trading income arises from hedging strategies, movements in the fair value of financial assets and liabilities held for trading (principally foreign exchange instruments and traded loans), or designated as fair value through profit and loss and interest thereon. Gains and losses on the ineffective portion of designated hedging relationships are also recognised in net trading income.

Notes to the financial statements

(forming part of the financial statements)

7. Other operating income

	2015 £'000	2014 £'000
Operating lease income	8,167	7,488
Rental income	102	–
Dividend income	1,509	1,774
Gain on disposal of fixed assets	214	65
Gains less losses from disposals of loans and available-for-sale financial assets	(2,632)	(1,330)
Other	5,901	5,067
	13,261	13,064

8. Operating expenses

	Note	2015 £'000	2014 ¹ £'000
Staff costs	9	301,303	255,260
Administrative expenses		65,242	58,444
		366,545	313,704

The auditor's remuneration was as follows:

	2015 £'000	2014 ¹ £'000
Audit fees relating to the Company	208	166
Audit fees relating to subsidiary undertakings and other affiliates	471	475
	679	641

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

	2015 £'000	2014 £'000
Audit-related assurance services	44	43
Tax services	151	31
Other services	23	107
	218	181

9. Staff costs

Note	2015 Group £'000	2015 Company £'000	2014 ¹ Group £'000	2014 Company £'000
Fixed and variable remuneration	241,543	160,254	203,917	135,634
Social security costs	27,853	21,106	23,155	17,354
Staff benefits and other staff costs	18,001	11,751	18,455	11,146
Pension costs				
– Defined benefit plans	21	7,475	7,378	3,597
– Defined contribution plans	21	5,641	3,686	3,328
Post-retirement benefits		790	790	856
Total staff costs	301,303	204,965	255,260	171,915

¹ Certain prior year amounts have been restated as explained in note 1 (page 22).

Notes to the financial statements

(forming part of the financial statements)

9. Staff costs (continued)

The number of persons employed as at 31 March was as follows:

	2015 Group	2015 Company	2014 Group	2014 Company
Global Financial Advisory	647	387	612	358
Banking and asset management	229	26	217	25
Support and other	282	247	272	231
	1,158	660	1,101	614

The average number of persons employed during the year ended 31 March was as follows:

	2015 Group	2015 Company	2014 Group	2014 Company
Global Financial Advisory	636	379	624	364
Banking and asset management	227	27	203	26
Support and other	275	240	270	230
	1,138	646	1,097	620

Long term incentive schemes

As part of its variable pay strategy, the Group operates long term 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 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 £34,905,000 (2014: £26,889,000).

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

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

Paris Orléans equity scheme

Paris Orléans has granted options in Paris Orléans shares to a number of key staff. Under the Equity Scheme rules, the Equity Scheme participants have been required to invest in Paris Orléans shares and, for each share owned, Paris Orléans 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 a price of €17.50, €18.00, €19.00 and €20.00 per share.

Notes to the financial statements

(forming part of the financial statements)

9. Staff costs (continued)

Long term incentive schemes (continued)

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

Group	2015		2014	
	Number	Weighted Average Exercise Price €	Number	Weighted Average Exercise Price €
At 1 April	425,000	18.63	–	–
Issued	–	–	425,000	18.63
Forfeited	–	–	–	–
Expired	–	–	–	–
Cancelled	–	–	–	–
Exercised	–	–	–	–
At 31 March	425,000	18.63	425,000	18.63
Exercisable at the end of the period	–	–	–	–

Company	2015		2014	
	Number	Weighted Average Exercise Price €	Number	Weighted Average Exercise Price €
At 1 April	325,000	18.63	–	–
Issued	–	–	325,000	18.63
Forfeited	–	–	–	–
Expired	–	–	–	–
Cancelled	–	–	–	–
Exercised	–	–	–	–
At 31 March	325,000	18.63	325,000	18.63
Exercisable at the end of the period	–	–	–	–

Share-options outstanding at 31 March were as follows:

Exercise price range €	2015		2014	
	Number of Options Outstanding	Weighted average contractual life (years)	Number of Options Outstanding	Weighted average contractual life (years)
Group				
17.50	106,250	8.5	106,250	9.5
18.00	106,250	8.5	106,250	9.5
19.00	106,250	8.5	106,250	9.5
20.00	106,250	8.5	106,250	9.5
	425,000	8.5	425,000	9.5

Exercise price range €	2015		2014	
	Number of Options Outstanding	Weighted average contractual life (years)	Number of Options Outstanding	Weighted average contractual life (years)
Company				
17.50	81,250	8.5	81,250	9.5
18.00	81,250	8.5	81,250	9.5
19.00	81,250	8.5	81,250	9.5
20.00	81,250	8.5	81,250	9.5
	325,000	8.5	325,000	9.5

Notes to the financial statements

(forming part of the financial statements)

9. Staff costs (continued)

Long term incentive schemes (continued)

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 Paris Orléans 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 year was £1.0m (2014: £1.9m). 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.

Paris Orléans share-based payments

The Group has committed to pay a number of staff deferred awards in the form of Paris Orléans shares. The shares will be delivered to employees in October 2017 as long as the recipients are still employed by the Group at that time. The value of the shares at the date of award is expensed over the service period, until vesting in October 2017. 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.

RCH share-based payments

Certain deferred awards are based on the share value of Rothschilds Continuation Holdings AG ("RCH"), an intermediate parent of the Company. Deferred pay based on the value of the RCH shares is accounted for as a cash-settled share-based payment award. The fair value of shares awarded is spread over the service period and recognised in the income statement as part of the profit share charge.

RCH shares are not quoted, but their value is determined each six months by an independent valuation.

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

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Paris Orléans equity scheme	600	459	251	192
Paris Orléans share-based payments	898	701	543	425
RCH share-based payments	419	419	978	978
	1,917	1,579	1,772	1,595

Notes to the financial statements

(forming part of the financial statements)

10. Tax

Tax charged to the income statement:

	2015 £'000	2014 £'000
Current tax		
– Current period	15,827	7,809
– Prior year adjustments	(1,868)	351
Total current tax charge	13,959	8,160
Deferred tax		
– Origination and reversal of timing differences	11,483	11,390
– Prior year adjustments	(9)	635
Total deferred tax charge	11,474	12,025
Total tax charged to income statement	25,433	20,185

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

	2015 £'000	2014 £'000
Deferred tax on available-for-sale financial assets	468	(251)
Current tax on available-for-sale financial assets	423	3,829
Deferred tax on cash flow hedges	2	76
Deferred tax on actuarial gains and losses on defined benefit pension schemes	(4,438)	5,156
Deferred tax on the utilisation of tax losses	(243)	1,782
Total tax charged/(credited) to other comprehensive income	(3,788)	10,592

Tax on items credited to equity:

	2015 £'000	2014 £'000
Current tax on distributions to holders of perpetual instruments	1,971	2,384

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

	2015 £'000	2014 £'000
Profit before tax	76,991	54,620
Tax calculated at the UK corporation tax rate of 21% (2014: 23%)	16,168	12,563
Adjustment to tax charge in respect of prior years	(1,877)	986
Non tax deductible expenses	669	603
Impact on deferred tax of corporation tax rate change	–	3,979
Impact on deferred tax of change in tax laws	6,500	–
Effect of different tax rates in other countries	3,690	1,270
Income not subject to tax	(825)	(638)
Previously unrecorded deferred tax now recognised	194	(526)
Irrecoverable withholding tax	421	862
Non tax deductible impairment provisions	657	1,783
Other	(164)	(697)
Total tax charged to income statement	25,433	20,185

Further information about deferred tax is presented in note 20.

Notes to the financial statements

(forming part of the financial statements)

II. Loans and advances

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Loans and advances to banks:				
Included in cash and cash equivalents	91,042	7,916	73,290	13,351
Other	3,123	–	3,381	–
Accrued interest	–	–	213	213
	94,165	7,916	76,884	13,564
Loans and advances to customers:				
Loans and advances to customers – at amortised cost	463,779	427,970	503,401	462,425
Loans and advances to customers held for trading – at fair value	–	–	3,198	3,198
Allowance for credit losses	(71,997)	(70,320)	(61,907)	(59,720)
Accrued interest	4,015	4,729	6,581	7,034
	395,797	362,379	451,273	412,937

Loans and advances to customers include finance lease receivables as follows:

Group	2015 £'000	2014 £'000
Gross investment in finance leases, receivable:		
1 year or less	82,285	71,826
5 years or less but over 1 year	147,004	106,635
Over 5 years	4,402	3,052
	233,691	181,513
Unearned future finance income on finance leases	(35,384)	(28,748)
Net investment in finance leases	198,307	152,765

The net investment in finance leases may be analysed as follows:

Group	2015 £'000	2014 £'000
1 year or less	69,668	59,996
5 years or less but over 1 year	124,726	89,950
Over 5 years	3,913	2,819
	198,307	152,765

Notes to the financial statements

(forming part of the financial statements)

II. Loans and advances (continued)

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

	Specific £'000	Group Collective £'000	Total £'000	Specific £'000	Company Collective £'000	Total £'000
At 1 April 2014	42,086	19,821	61,907	40,899	18,821	59,720
Charge/(credit) to income statement	11,422	(1,355)	10,067	11,778	(1,001)	10,777
Amounts written off	(1,904)	-	(1,904)	(640)	-	(640)
Recoveries	1,901	-	1,901	437	-	437
Exchange movements	26	-	26	26	-	26
At 31 March 2015	53,531	18,466	71,997	52,500	17,820	70,320
At 1 April 2013	59,525	24,296	83,821	57,064	23,376	80,440
Charge/(credit) to income statement	5,245	(4,475)	770	13,820	(4,555)	9,265
Amounts written off	(24,132)	-	(24,132)	(29,390)	-	(29,390)
Recoveries	2,355	-	2,355	312	-	312
Exchange movements	(907)	-	(907)	(907)	-	(907)
At 31 March 2014	42,086	19,821	61,907	40,899	18,821	59,720

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", on 1 July 2008 the Company transferred from available-for-sale financial assets to loans and advances £347,582,000 of financial assets to which the definition of loans and advances would apply on the reclassification date. On the reclassification date and on 31 March 2015 the Group had the financial capacity to keep the loans concerned to their maturity date or for the foreseeable future. The movements in the carrying value and fair value of the financial assets reclassified are as follows:

Group and Company	2015 £'000	2014 £'000
Carrying value of assets reclassified at 1 April	28,408	91,055
Impairments	(415)	(345)
Sale and redemptions	(23,866)	(63,694)
Drawdown of revolving credit facilities	-	191
Amortisation of frozen available-for-sale reserve	838	2,181
Exchange and other movements	(2,761)	(980)
Carrying value of assets reclassified at 31 March	2,204	28,408

Notes to the financial statements

(forming part of the financial statements)

II. Loans and advances (continued)

Group and Company	2015 £'000	2014 £'000
Fair value of assets reclassified at 1 April	27,814	86,720
Sales and redemptions	(23,866)	(53,694)
Drawdown of revolving credit facilities	–	191
Fair value movements in the period	807	5,306
Exchange and other movements	(2,601)	(709)
Fair value of assets reclassified at 31 March	2,154	27,814

As of the reclassification date, the net effective interest rate, after associated funding costs, on reclassified financial assets was 2.25 per cent.

A revaluation gain of £1,222,000 would have been recognised in other comprehensive income in the year to 31 March 2015 had the assets not been reclassified (2014: £5,651,000).

After reclassification, the reclassified financial assets contributed the following amounts, after associated funding costs, to profit before tax:

	2015 £'000	2014 £'000
Net interest income	181	1,612
Impairment losses	(415)	(345)
Loss on disposals	(408)	(2,411)
Loss before tax on reclassified financial assets	(642)	(1,144)

12. Debt and equity securities

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Debt securities – available-for-sale	112,477	112,477	129,328	129,328
Allowance for impairment	(3,691)	(3,691)	(8,555)	(8,555)
Accrued interest	503	503	517	517
Total debt securities – available-for-sale	109,289	109,289	121,290	121,290
Equity securities – available-for-sale	108,088	107,966	108,813	108,691
Allowance for impairment	(10,952)	(10,830)	(11,457)	(11,335)
Total equity securities – available-for-sale	97,136	97,136	97,356	97,356
Equity securities – fair value through profit and loss	1,025	–	1,064	–
Total debt and equity securities	207,450	206,425	219,710	218,646

Notes to the financial statements

(forming part of the financial statements)

12. Debt and equity securities (continued)

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Debt and equity securities may be analysed as follows:				
Debt securities				
– Listed	108,986	108,986	120,915	120,915
– Unlisted	303	303	375	375
Total debt securities	109,289	109,289	121,290	121,290
Equity securities				
– Listed	26,547	25,522	27,470	26,406
– Unlisted	71,614	71,614	70,950	70,950
Total equity securities	98,161	97,136	98,420	97,356
Total debt and equity securities	207,450	206,425	219,710	218,646

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

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

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Debt securities				
At 1 April	8,555	8,555	10,574	10,574
Charge to income statement	1,279	1,279	4,084	4,084
Amounts written off	(5,450)	(5,450)	(5,925)	(5,925)
Exchange movements	(693)	(693)	(178)	(178)
At 31 March	3,691	3,691	8,555	8,555
Equity securities				
At 1 April	11,457	11,335	11,326	11,141
Charge to income statement	944	944	926	904
Exchange movements	(354)	(354)	–	–
Amounts written off	(1,095)	(1,095)	–	–
Disposals	–	–	(795)	(710)
At 31 March	10,952	10,830	11,457	11,335

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12. Debt and equity securities (continued)

The movement in debt and equity securities is as follows:

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
At 1 April	219,710	218,646	249,702	248,525
Additions	122,878	122,878	20,375	19,183
Disposals (sales and redemptions)	(133,913)	(133,913)	(63,381)	(61,979)
Gains/(losses) from changes in fair value	7,390	7,390	19,587	19,549
Movement in allowance for impairment	(2,223)	(2,223)	(4,037)	(4,100)
Recognised in income statement	(39)	-	-	-
Unwinding of discount	(505)	(505)	(179)	(179)
Movement in accrued interest	(14)	(14)	(554)	(554)
Exchange differences	(5,834)	(5,834)	(1,803)	(1,799)
At 31 March	207,450	206,425	219,710	218,646

13. Derivatives

The Group'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. The majority of derivative contracts are negotiated as to amount, tenor and price between the Group and its counterparties, and are known as "over the counter" ("OTC") derivatives. The remainder are standardised in terms of their amounts and settlement dates and are bought and sold in organised markets and are known as exchange traded derivatives.

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 Group of replacing all transactions with a fair value in the Group's favour if the counterparties default. Negative fair values represent the cost to the Group's counterparties of replacing all their transactions with the Group with a fair value in the counterparties' favour if the Group 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 trading income unless they qualify as cash flow hedges for accounting purposes.

The Group uses the following derivative financial instruments for both trading and hedging purposes:

- Forward contracts and futures – contractual obligations to buy or sell financial instruments on a future date at a specified price. Forward contracts are OTC contracts, whereas futures are exchange traded derivatives.
- Interest rate swaps – transactions in which two parties exchange interest cashflows on a specified notional amount for a predetermined period. Most swaps are OTC instruments. Interest rate swap contracts generally entail the contractual exchange of fixed and floating rate interest payments in a single currency.
- Options – contractual agreements under which the seller grants the purchaser the right but not the obligation to buy or sell by or at a future date a specified quantity of a financial instrument at a predetermined price. The purchaser pays a premium to the seller for this right. Options may be transacted OTC or on a regulated exchange.

Derivatives may be transacted for hedging or trading purposes. The Group enters into derivative transactions primarily for the purpose of hedging exposures in the non-trading book. The accounting treatment of hedge transactions depends on the nature of the hedging relationship and whether the hedge qualifies as such for accounting purposes. Derivative transactions may qualify as hedges for accounting purposes as either fair value or cash flow hedges. Trading involves taking positions with the intention of profiting from changes in market variables such as interest rates.

Notes to the financial statements

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13. Derivatives (continued)

Fair value hedges

The Group's fair value hedges consist of interest rate swaps that are used to protect against changes in the fair value of fixed rate lending, fixed rate debt securities and fixed rate borrowing.

The fair value of derivatives designated as fair value hedges at 31 March 2015 was £6,167,000 (2014: £9,742,000). Fair value losses of £1,522,000 (2014: £5,674,000) on derivatives held in qualifying fair value hedging relationships are included in net trading income. Fair value gains of £1,525,000 (2014: £5,673,000), which relate to changes in fair value of hedged items attributable to the hedged risk, are also included in net trading income.

Cash flow hedges

The Group is exposed to variability in future interest cash flows on non-trading assets and liabilities which receive or pay interest at variable rates.

Gains and losses on the effective portion of interest rate swaps designated as cash flow hedges are recorded in other comprehensive income. Gains or losses on any ineffective portion of these swaps are recognised immediately in the income statement.

No profit or loss was recognised in the income statement in respect of the ineffective portion of cash flow hedges (2014: £nil).

The fair value of derivatives designated as cash flow hedges at 31 March 2015 was £8,054,000 (2014: £1,250,000). At 31 March 2015, an unrecognised fair value gain of £3,000 (2014: loss of £8,000) associated with these derivatives has remained deferred in shareholders' equity and will be transferred to the income statement when the hedged cashflows affect profit or loss. Amounts relating to cash flow hedges transferred to the income statement during the period are included in net trading income.

The schedule of cash flows hedged is as follows:

Group and Company	< 1 yr £'000	1-3 yrs £'000	3-5 yrs £'000	5-10 yrs £'000	> 10 yrs £'000
As at 31 March 2015					
Cash outflows (liabilities)	(9)	-	-	-	-
As at 31 March 2014					
Cash inflows (assets)	191	74	-	-	-

Group and Company	Notional principal		Positive fair value		Negative fair value	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Contracts held for risk management purposes						
Derivatives designated as hedges						
Fair value interest rate swaps	275,000	378,284	6,167	9,922	-	(180)
Cash flow interest rate swaps	62,550	87,980	8,054	1,583	-	(333)
	337,550	466,264	14,221	11,505	-	(513)
Contracts held for trading purposes						
Forward foreign exchange contracts	123,176	217,171	993	623	(610)	(769)
Interest rate swaps	600	10,572	13	94	-	(100)
	123,776	227,743	1,006	717	(610)	(869)
	461,326	694,007	15,227	12,222	(610)	(1,382)

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14. Other assets

	2015 Group £'000	2015 Company £'000	2014 ¹ Group £'000	2014 Company £'000
Accounts receivable and prepayments	83,114	58,664	114,048	77,637
Accrued income	28,597	22,094	11,068	2,952
Traded loans awaiting settlement	742	742	4,107	4,107
Other	5,672	3,142	3,435	1,848
	118,125	84,642	132,658	86,544

¹ Certain prior year amounts have been restated as explained in note 1 (page 22).

Accounts receivable are net of allowances of £1,809,000 (2014: £2,816,000). Accrued income is net of allowances of £1,046,000 (2014: £1,754,000).

15. Investments in associates and joint ventures

Group	2015 £'000	2014 ¹ £'000
At 1 April	44,652	46,151
Additions	–	530
Disposals	(5,432)	(1,711)
Share of results (net of tax)	4,866	4,951
Losses from changes in fair value	(28)	(281)
Dividends	(4,472)	(4,722)
Exchange differences	(759)	(266)
At 31 March	38,827	44,652

¹ Investments in associates and joint ventures has been restated as explained in note 1 (page 22).

Disposals during the year relate to the Company's investment in Quintus European Mezzanine Fund Limited Partnership following returns of principal in the underlying assets in the fund.

The Groups interest in associates and joint ventures, which are not material, are as follows:

	Country of residence	Ownership interest	Description of business	2015		2014	
				Share of net assets £'000	Share of profit/(loss) after tax £'000	Share of net assets £'000	Share of profit/(loss) after tax £'000
Rothschild & Cie Banque	France	9.38%	Bank	28,091	1,295	27,960	1,179
Quintus European Mezzanine Fund Limited Partnership	Jersey	50%	Investment vehicle for institutional investors	4,908	1,424	10,657	305
N M Rothschild Europe Partnership	UK	50%	Financial advisory	5,235	2,233	4,843	1,843
Rothschild Europe SNC	France	50%	Financial advisory	298	42	769	1,731
Investor Perceptions Limited	UK	50%	Investor research	295	(128)	423	(107)
				38,827	4,866	44,652	4,951

The Company's interests in associates and joint ventures are held at historical cost of £34,766,000 (2014: £40,198,000).

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16. Structured entities

A structured entity is one which has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. It will often have restricted activities and a narrow or well-defined objective and can include some investment funds.

In most cases it is clear under IFRS 10 that the Group need not consolidate its investments in structured entities. However, some structured entities are managed by the Group in the form of funds in which the Group's own money is invested. For these, a judgement must be made whether there is a need to consolidate these funds or not. To do this, a combined assessment of two key indicators is made:

- Remuneration and other economic interests in aggregate
- Kick-out rights

To primarily assess economic interests it is considered, at a particular level of returns, how much of any further increase or decrease in the performance of a fund accrues to the manager ("the variability of the economic interest"). The level of returns at which this is measured is the level at which performance fees begin to accrue. A high level of variability would support the conclusion that a manager might be a principal (and would probably consolidate the managed fund). Whereas, a low level of variability would indicate that a manager might be an agent for the other investors (and would probably not consolidate). Additionally, negligible rights for the investors to remove the manager or transfer their funds might indicate that a manager is a principal (and would probably consolidate) while strong rights might suggest that a manager is an agent (and would probably not consolidate). The Group's judgement is guided by both IFRS 10 and market practice.

Interest in unconsolidated structured entities

The following table shows the Group's interest in unconsolidated structured entities. These entities are both managed debt funds and collateralised loan obligation (CLO) securitisations. The assets in the entities are not originated by the Group but are a diverse pool of leveraged buyout debt assets which are sourced specifically for inclusion in these entities. The Group will typically make an investment within these structures which will be held on balance sheet as either available-for-sale debt securities or as an equity holding. The off-balance sheet commitment is an undrawn loan facility to a CLO warehouse for which NMR will act as Investment Manager post securitisation.

	£'000
Assets under management	1,115,718
Interest held in the Group's balance sheet:	
Available-for-sale financial investments	21,796
Total assets in the Group's balance sheet	21,796
Off-balance sheet commitments made by the Group	9,974
Group's maximum exposure	31,770

Notes to the financial statements

(forming part of the financial statements)

17. Intangible assets

Group	Goodwill £'000	Other intangible assets £'000	Total £'000
Cost at 1 April 2014	15,228	9,017	24,245
Additions	1,448	–	1,448
At 31 March 2015	16,676	9,017	25,693
Accumulated impairment losses and amortisation at 1 April 2014	7,950	4,728	12,678
Amortisation charge	–	2,188	2,188
At 31 March 2015	7,950	6,916	14,866
Net book value at 31 March 2015	8,726	2,101	10,827
Cost at 1 April 2013	14,778	9,017	23,795
Additions	450	–	450
At 31 March 2014	15,228	9,017	24,245
Accumulated impairment losses and amortisation at 1 April 2013	2,500	2,769	5,269
Amortisation charge	–	1,959	1,959
Impairment charge	5,450	–	5,450
At 31 March 2014	7,950	4,728	12,678
Net book value at 31 March 2014	7,278	4,289	11,567

Included within the cost of goodwill as at 31 March 2015 is £9,786,000 (2014: £9,786,000) relating to the purchase of Lanebridge Investment Management Limited in the year ended 31 March 2008. In prior periods the value of that goodwill was assessed using the latest forecasts of Lanebridge Investment Management Limited, which indicated a delay in the expected future fee income related to the timing of property sales, and applying a discount rate of 12%. This analysis indicated that the goodwill was impaired and management concluded that an impairment charge of £7,950,000 should be recognised. This assessment was repeated as at 31 March 2015 using updated forecasts which showed that no further impairment was necessary.

The remainder of goodwill relates to various acquisitions within the Five Arrows Leasing Group. During the year, an 80% interest in Dash Commercial Finance Limited, an asset financing company, was purchased, including goodwill of £1,448,000. The purchase price of £1,690,000 included £845,000 of contingent consideration based on management projections. However, this could increase up to £4,000,000 over 5 years if a number of performance targets are met.

Other intangible assets relate mainly to servicing rights recognised on the acquisition of Elgin Capital LLP, a company that provides investment management services for various investment funds. The present value of the future servicing rights will be amortised over the servicing period as the fees from servicing are recognised.

Notes to the financial statements

(forming part of the financial statements)

18. Property, plant and equipment

Group	Leasehold improvements £'000	Cars, fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost at 1 April 2014	51,561	20,566	23,596	95,723
Acquisition of subsidiary	–	–	20	20
Additions	121	6,411	201	6,733
Disposals	–	(2,880)	(9,295)	(12,175)
Amounts written off	–	(498)	(37)	(535)
Exchange differences	(339)	(315)	(175)	(829)
At 31 March 2015	51,343	23,284	14,310	88,937
Accumulated depreciation at 1 April 2014	12,256	8,849	18,692	39,797
Acquisition of subsidiary	–	–	14	14
Disposals	–	(1,914)	(9,295)	(11,209)
Depreciation charge	3,059	3,250	1,425	7,734
Amounts written off	–	(498)	(37)	(535)
Exchange differences	(281)	(95)	(161)	(537)
At 31 March 2015	15,034	9,592	10,638	35,264
Net book value at 31 March 2015	36,309	13,692	3,672	53,673
Cost at 1 April 2013	51,662	19,983	32,823	104,468
Additions	139	5,209	333	5,681
Disposals	(2)	(4,049)	(9,409)	(13,460)
Amounts written off	(64)	–	(6)	(70)
Exchange differences	(174)	(577)	(145)	(896)
At 31 March 2014	51,561	20,566	23,596	95,723
Accumulated depreciation at 1 April 2013	9,381	9,499	25,517	44,397
Disposals	(2)	(3,327)	(9,408)	(12,737)
Depreciation charge	3,061	2,802	2,093	7,956
Amounts written off	(64)	–	(6)	(70)
Impairment charge	–	–	619	619
Exchange differences	(120)	(125)	(123)	(368)
At 31 March 2014	12,256	8,849	18,692	39,797
Net book value at 31 March 2014	39,305	11,717	4,904	55,926

Included within the net book value of cars, fixtures and fittings for the Group as at 31 March 2015 is £7,387,000 (2014: £6,041,000) relating to assets leased to customers under operating leases.

Notes to the financial statements

(forming part of the financial statements)

18. Property, plant and equipment (continued)

Company	Leasehold improvements £'000	Cars, fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost at 1 April 2014	48,588	1,431	18,703	68,722
Additions	14	43	–	57
Disposals	–	(26)	(9,275)	(9,301)
At 31 March 2015	48,602	1,448	9,428	59,478
Accumulated depreciation at 1 April 2014	9,801	931	14,410	25,142
Disposals	–	(20)	(9,275)	(9,295)
Depreciation charge	2,891	117	1,136	4,144
At 31 March 2015	12,692	1,028	6,271	19,991
Net book value at 31 March 2015	35,910	420	3,157	39,487
Cost at 1 April 2013	48,550	1,376	27,985	77,911
Additions	38	55	2	95
Disposals	–	–	(9,284)	(9,284)
At 31 March 2014	48,588	1,431	18,703	68,722
Accumulated depreciation at 1 April 2013	6,915	814	21,394	29,123
Disposals	–	–	(9,283)	(9,283)
Depreciation charge	2,886	117	1,680	4,683
Impairment charge	–	–	619	619
At 31 March 2014	9,801	931	14,410	25,142
Net book value at 31 March 2014	38,787	500	4,293	43,580

19. Other liabilities

Note	2015 Group £'000	2015 Company £'000	2014 ¹ Group £'000	2014 Company £'000
Accounts payable	31,334	23,631	7,436	7,355
Traded loans awaiting settlement	724	724	7,304	7,304
Defined benefit pension liabilities	21 95,757	94,729	89,011	87,819
Other liabilities	26,623	6,654	43,624	7,685
	154,438	125,738	147,375	110,163

¹ Certain prior year amounts have been restated as explained in note 1 (page 22).

Notes to the financial statements

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20. Deferred income taxes

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 20 per cent (2014: 20 per cent) as this was the rate substantively enacted at the balance sheet date.

The movement on the deferred tax account is as follows:

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
At 1 April	72,728	61,905	92,864	78,426
Acquisition of subsidiary	(2)	–	–	–
Recognised in income				
Income statement charge	(11,474)	(11,755)	(12,025)	(9,569)
Recognised in other comprehensive income				
Defined benefit pension arrangements	4,438	4,422	(5,156)	(5,142)
Available-for-sale securities				
– Fair value measurement	(468)	(468)	251	48
Cash flow hedges				
– Fair value measurement	(2)	(2)	(76)	(76)
Tax losses created/(utilised)	243	243	(1,782)	(1,782)
Exchange differences	(543)	–	(960)	–
Other	(1,750)	–	(388)	–
At 31 March	63,170	54,345	72,728	61,905

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

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Accelerated tax depreciation	10,125	6,319	9,864	5,584
Deferred profit share arrangements	20,875	16,595	22,586	18,828
Pension and other post-retirement benefits	18,946	18,946	17,547	17,564
Available-for-sale securities	(305)	(305)	55	55
Tax losses	12,415	12,415	19,194	19,194
Other temporary differences	1,114	375	3,482	680
	63,170	54,345	72,728	61,905

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

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Accelerated tax depreciation	263	735	(897)	287
Deferred profit share arrangements	(1,527)	(2,233)	(7,266)	(6,037)
Available-for-sale securities	108	108	141	141
Pensions and other post-retirement benefits	(3,040)	(3,040)	(85)	(85)
Tax losses	(7,022)	(7,022)	(3,517)	(3,346)
Other temporary differences	(256)	(303)	(401)	(529)
	(11,474)	(11,755)	(12,025)	(9,569)

Deductible temporary differences relating to unutilised tax losses within the Group for which no deferred tax asset has been recognised are £6,728,000 (2014: £228,000).

Deferred tax liabilities have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries and other interests as it is anticipated that such profits would qualify for exemption from UK taxation. The amount of withholding taxes that would be payable should the retained earnings be remitted would be £nil (2014: £nil).

Notes to the financial statements

(forming part of the financial statements)

21. Retirement benefit obligations

Defined benefit pension plans and other post-retirement benefits

The Group operates a pension scheme, the NMR Pension Fund ("the Fund"), for the benefit of employees of certain Rothschild group companies in the United Kingdom, including the Company. The Fund comprises a defined benefit section, which closed to new entrants in April 2003, and a defined contribution scheme established with effect from April 2003. The Group also has £2,609,000 (2014: £2,541,000) of unfunded obligations in respect of pensions and other post-retirement benefits of which £1,581,000 (2014: £1,349,000) relates to employees of the Company.

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 years. The Fund is approved by HMRC for tax purposes, and is operated separately from the Group 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 Group 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 Group and 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. 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 2013 and has been updated for IAS 19 (Revised) purposes to 31 March 2015 by qualified independent actuaries. As required by IAS 19 (Revised), 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. Remeasurement 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:

Group and Company	2015	2014	2013
Discount rate	3.40%	4.50%	4.50%
Retail price inflation	3.00%	3.30%	3.40%
Consumer price inflation	2.00%	2.30%	2.40%
Expected rate of uncapped salary increases	2.00%	2.00%	4.40%
Expected rate of increase in pensions in payment			
Capped at 5.0% per annum	2.90%	3.20%	3.30%
Capped at 2.5% per annum	2.00%	2.20%	2.20%
Life expectancy of a pensioner aged 60			
Male	28.6	28.5	27.9
Female	29.5	29.4	28.5
Life expectancy of a future pensioner aged 60 in 20 years' time			
Male	30.6	30.5	29.5
Female	30.7	30.6	29.3

The defined benefit plan net liability calculation is sensitive to the actuarial assumptions used above. Those that have the most significant impact on the measurement of the liability are as follows:

Group and Company	2015 £'000	2014 £'000
0.5% increase in discount rate decreases defined benefit obligations	66,500	54,200
0.5% increase in price inflation increases defined benefit obligations	53,400	50,000
1 year increase in life expectancy increases defined benefit obligations	20,800	17,600

The sensitivities shown above reflect only the change in the assessed defined 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.

Notes to the financial statements

(forming part of the financial statements)

21. Retirement benefit obligations (continued)

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

Group and Company	2015 £'000	2014 £'000
Quoted		
Corporate bonds	91,844	81,509
Index-linked gilts	39,536	42,690
Liability-driven investments	121,272	65,674
Equities	215,720	190,070
Emerging market currency	16,871	24,292
Emerging market debt	19,835	19,800
Private markets	22,709	18,127
Multi-strategy alternative credit	13,427	–
Unquoted		
Fund of hedge funds	56,252	51,721
Private markets	49,156	51,795
Leveraged loans	6,589	–
Equities	673	647
Cash and net current assets	5,381	3,851
	659,265	550,176

Equities includes £673,000 (2014: £647,000) of shares in companies that are related parties of the Company.

The Company and Group have also entered into a trust arrangement for the benefit of the Fund giving security over certain Group assets should various financial triggers be breached. Further information is provided in note 22 to the accounts.

Amounts recognised in the income statement are as follows:

	Note	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Employers' part of current service cost		2,918	2,821	3,157	3,036
Net interest cost		3,482	3,482	4,105	4,070
Administration expenses		1,075	1,075	941	941
Past service costs		–	–	(4,450)	(4,450)
Total (included in staff costs)	9	7,475	7,378	3,753	3,597

Amounts recognised in the statement of comprehensive income:

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Remeasurement losses recognised in the year	(22,248)	(22,111)	(3,389)	(3,451)
Cumulative remeasurement losses recognised in the statement of comprehensive income	(196,823)	(196,561)	(174,575)	(174,450)

Notes to the financial statements

(forming part of the financial statements)

21. Retirement benefit obligations (continued)

Following the March 2013 triennial actuarial valuation of the Fund, the Group agreed a contribution plan with the trustees to reduce the deficit in accordance with pensions regulation. The aim is to eliminate the pension deficit by 2023 with annual contributions of £13.8m (increasing by 3.6% per annum). In addition, participating employers in the scheme have agreed to pay 33.5% of in-service members' pensionable salaries in respect of future accrual. The arrangement will be reviewed in 2016, at the next triennial actuarial valuation of the Fund.

It is estimated that total contributions of £23.3 million will be paid to the defined benefit pension schemes in the year ending 31 March 2016, of which it is estimated that the Company will pay £22.2 million.

Defined contribution schemes

	Note	2015 Group £'000	2015 Company £'000	2014 ¹ Group £'000	2014 Company £'000
Contributions paid	9	5,641	3,686	5,124	3,328

¹ The prior year amount has been restated as explained in note 1 (page 22).

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

22. Contingent liabilities and commitments

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Guarantees				
Guarantees and irrevocable letters of credit	457	109,552	239	124,195
Commitments				
Undrawn formal standby facilities, credit lines and other commitments to lend	12,159	34,404	6,281	23,147

From time to time the Group 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 Group's financial position.

Assets pledged:

Group and Company	2015 £'000	2014 £'000
Investment securities	–	17,090

The Group and Company have entered into a trust arrangement for the benefit of the NMR Pension Fund which gives the pension fund security over certain Group assets which would provide up to £50 million of value to the NMR Pension Fund in the event that specific financial triggers are breached. The financial triggers relate to the Group's ongoing viability and any breach is therefore considered extremely unlikely. The Group retains control of the assets and income relating to them continues to be recognised in the Group's results.

Notes to the financial statements

(forming part of the financial statements)

23. Operating lease commitments

At 31 March 2015, the Group was obligated under a number of non-cancellable operating leases used primarily 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:

Group	Premises		Equipment	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Up to 1 year	14,646	14,858	208	216
Between 1 and 5 years	56,154	60,048	365	129
More than 5 years	182,159	191,152	–	–
	252,959	266,058	573	345
Company				
Up to 1 year	10,952	10,760	–	–
Between 1 and 5 years	44,522	43,647	–	–
More than 5 years	177,542	185,785	–	–
	233,016	240,192	–	–

Since the balance sheet date, the Company has entered into a lease extension in respect of its main London building, the effect of which was to increase the expiry date of the lease by 5 years.

Operating expenses include operating lease rentals of £14,083,000 (2014: £14,265,000).

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

Group	Premises		Equipment	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Up to 1 year	78	78	1,487	1,591
Between 1 and 5 years	94	172	3,038	1,630
More than 5 years	–	–	91	–
	172	250	4,616	3,221
Company				
Up to 1 year	78	78	–	–
Between 1 and 5 years	94	172	–	–
More than 5 years	–	–	–	–
	172	250	–	–

Notes to the financial statements

(forming part of the financial statements)

24. Distributions

	2015 £'000	2014 £'000
Other Equity Interests		
Perpetual floating rate subordinated loan (US\$100 million)	474	518
Perpetual fixed rate subordinated loan (£75 million)	6,762	6,762
Perpetual floating rate subordinated notes (€150 million)	2,150	3,083
	9,386	10,363
Tax credit thereon	(1,971)	(2,384)
	7,415	7,979
Ordinary Shares		
Dividends paid	13,000	13,000
	20,415	20,979

The dividends per ordinary share were 23p (2014: 23p).

25. 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.

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Cash and balances at central banks	639,247	639,240	759,864	759,857
Loans and advances to banks	91,042	7,916	73,290	13,351
	730,289	647,156	833,154	773,208

26. Transactions with related parties

Group

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

At 31 March	2015 £'000	2014 £'000
Loans	5	9
Deposits	754	575

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. Deposits are taken on normal commercial terms.

	2015 £'000	2014 £'000
Key management personnel compensation		
Short-term employee benefits	6,518	5,911
Post-retirement benefits	21	18
Other long-term employee benefits	5,177	5,272

Notes to the financial statements

(forming part of the financial statements)

26. Transactions with related parties (continued)

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

At 31 March	2015		2014	
	Loans and advances £'000	Other assets £'000	Loans and advances £'000	Other assets £'000
Amounts due from parent companies	34,346	27	34,324	201
Amounts due from joint ventures	–	201	–	311
Amounts due from associated undertakings	1,051	9,712	62	7,641
Amounts due from other related parties	1,868	17,902	2,942	12,631

Other related parties are fellow subsidiaries of Rothschild Concordia SAS.

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 Group are as follows:

At 31 March	2015			2014		
	Deposits £'000	Perpetual instruments £'000	Other liabilities £'000	Deposits £'000	Perpetual instruments £'000	Other liabilities £'000
Amounts due to parent companies	12,161	–	–	6,917	–	962
Amounts due to joint ventures	4,351	–	10,860	4,506	–	8
Amounts due to associated undertakings	806	–	2,354	1,862	–	5,857
Amounts due to pension funds	6,564	–	–	3,552	–	–
Amounts due to other related parties						
– subordinated	–	72,610	–	–	72,610	–
– other	282,438	–	6,540	335,354	–	7,747

Amounts payable include deposits taken and bank account balances held in the ordinary course of business and on substantially the same terms as comparable transactions with third parties.

Notes to the financial statements

(forming part of the financial statements)

26. Transactions with related parties (continued)

Guarantees from related parties of the Group are as follows:

At 31 March	2015 £'000	2014 £'000
Guarantees received from other related parties	1,929	22,490

The Group has received guarantees from fellow subsidiaries of Rothschild Concordia SAS in respect of certain customer loans and available-for-sale securities.

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

	Parent companies £'000	Joint ventures £'000	Associated undertakings £'000	Pension funds £'000	Other related parties £'000	Total £'000
2015						
Interest receivable	1,036	-	-	-	74	1,110
Interest payable	(29)	(14)	(15)	(8)	(1,596)	(1,662)
Fees and commissions receivable	6,082	-	9,981	-	10,290	26,353
Fees and commissions payable	-	(12,944)	(3,374)	-	(3,865)	(20,183)
Dividend income	717	1,841	2,213	-	383	5,154
Rent payable	-	-	-	-	(9,975)	(9,975)
Recoverable expenses	-	-	922	-	4,932	5,854
2014						
Interest receivable	897	-	-	-	95	992
Interest payable	(47)	(12)	(48)	(13)	(2,545)	(2,665)
Fees and commissions receivable	6,100	-	1,760	-	5,213	13,073
Fees and commissions payable	-	(4,515)	(2,269)	-	(4,581)	(11,365)
Dividend income	757	1,178	5,464	-	990	8,389
Rent payable	-	-	-	-	(9,696)	(9,696)
Recoverable expenses	-	-	3,978	-	6,510	10,488

Fees and commissions receivable/payable relate to transactions where the Group has worked in collaboration with related parties.

Company

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

At 31 March	2015		2014	
	Loans and advances £'000	Other assets £'000	Loans and advances £'000	Other assets £'000
Amounts due from parent companies	34,346	27	34,324	201
Amounts due from subsidiary undertakings	182,139	9,887	127,022	10,798
Amounts due from joint ventures	-	125	-	622
Amounts due from associated undertakings	1,051	4,883	62	1,012
Amounts due from other related parties	1,868	14,599	2,942	10,514

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.

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(forming part of the financial statements)

26. Transactions with related parties (continued)

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

At 31 March	2015			2014		
	Deposits £'000	Perpetual instruments £'000	Other liabilities £'000	Deposits £'000	Perpetual instruments £'000	Other liabilities £'000
Amounts due to parent companies	12,161	–	–	6,917	–	–
Amounts due to subsidiary undertakings						
– subordinated	–	51,725	–	–	51,725	–
– other	13,768	–	8,309	6,861	–	5,441
Amounts due to joint ventures	4,351	–	10,855	9,012	–	–
Amounts due to associated undertakings	261	–	678	493	–	1,819
Amounts due to pension funds	6,564	–	–	3,552	–	–
Amounts due to other related parties						
– subordinated	–	72,610	–	–	72,610	–
– other	282,438	–	2,927	335,354	–	3,718

Amounts payable include deposits taken and bank account balances held in the ordinary course of business and on substantially the same terms as comparable transactions with third parties.

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

At 31 March	2015 £'000	2014 £'000
Guarantees made on behalf of subsidiary undertakings	109,095	123,955
Guarantees received from other related parties	1,929	22,490

The Company has guaranteed £109,095,000 (2014: £123,955,000) 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.

The Company has received guarantees from a fellow subsidiary of Rothschild Concordia SAS in respect of certain customer loans and available-for-sale securities.

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

At 31 March	2015 £'000	2014 £'000
Undrawn credit commitments	22,245	16,866

Notes to the financial statements

(forming part of the financial statements)

26. Transactions with related parties (continued)

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 2035 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	Joint ventures £'000	Associated undertakings £'000	Pension funds £'000	Other related parties £'000	Total £'000
2015							
Interest receivable	1,036	4,601	-	-	-	74	5,711
Interest payable	(29)	(16)	(14)	-	(8)	(1,596)	(1,663)
Fees and commissions receivable	5,988	8,689	-	6,071	-	10,290	31,038
Fees and commissions payable	-	(4,333)	(12,944)	(1,305)	-	(3,865)	(22,447)
Dividend income	691	11,900	1,841	2,213	-	383	17,028
Rent payable	-	-	-	-	-	(9,975)	(9,975)
Recoverable expenses	-	(1,775)	-	1,128	-	6,674	6,027
2014							
Interest receivable	897	3,517	-	-	-	95	4,509
Interest payable	(26)	-	(23)	-	(13)	(2,545)	(2,607)
Fees and commissions receivable	6,100	6,165	-	496	-	5,213	17,974
Fees and commissions payable	-	(7,946)	(9,030)	(2,137)	-	(4,581)	(23,694)
Dividend income	740	11,800	2,356	2,204	-	990	18,090
Rent payable	-	-	-	-	-	(9,696)	(9,696)
Recoverable expenses	-	(3,239)	-	901	-	8,212	5,874

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

Notes to the financial statements

(forming part of the financial statements)

27. Non-controlling interests

Parts of the Group's income, net assets and distributions are attributable to non-controlling interests ("NCI"). These arise from the following sources:

Year ended 31 March 2015	Country of residence	Ownership interest held by NCI	Description of business	Profit attributable to NCI £'000	Net assets attributable to NCI £'000	Dividends paid to NCI £'000
Rothschild Europe BV subgroup	The Netherlands	50%	Financial advisory	11,084	25,526	(4,284)
Other	UK	20%	Asset finance	1	62	–
				11,085	25,588	(4,284)

Summarised financial information for the Rothschild Europe BV subgroup is as follows:

	2015 £'000
Income statement information:	
Net fee and commission income	113,143
Profit after tax	21,660
Balance sheet information:	
Balance at banks	66,452
Other assets	50,449
Other liabilities	(66,627)
Net Assets	50,274

The movement in the net assets attributable to non-controlling interests is as follows:

	2015 £'000	2014 £'000
At 1 April	21,206	15,181
Acquisition of subsidiary	61	–
Profit attributable to non-controlling interests	11,085	9,806
Remeasurement gains/(losses)	(67)	27
Equity settled share-based payments	51	26
Dividends	(4,284)	(3,291)
Exchange	(2,470)	(543)
At 31 March	25,582	21,206

28. Share capital

	2015	2014
Authorised	199,900,000	199,900,000
Allotted, called up and fully paid ordinary shares of £1 each	57,654,551	57,654,551

Notes to the financial statements

(forming part of the financial statements)

29. Perpetual instruments

	2015 Group £'000	2015 Company £'000	2014 Group £'000	2014 Company £'000
Perpetual fixed rate subordinated notes 9% (£75 million)	48,750	48,750	48,750	48,750
Perpetual floating rate subordinated notes (€150 million)	51,725	51,725	51,725	51,725
Perpetual floating rate subordinated notes (US\$100 million)	23,860	23,860	23,860	23,860
At 31 March	124,335	124,335	124,335	124,335

30. Principal subsidiary undertakings

The principal subsidiary undertakings of the Company are detailed below. All the principal subsidiary undertakings are registered in England and Wales except where otherwise indicated. The Company's remaining subsidiary undertakings are not material and accordingly no disclosure has been made in respect of these entities.

	Percentage held
Five Arrows Leasing Group Limited (Lease portfolio management)	100
Five Arrows Leasing Limited (Asset finance)	100
Five Arrows Business Finance plc (Asset finance)	100
Specialist Fleet Services Finance Limited (Contract hire and maintenance)	100
City Business Finance Limited (Asset finance)	100
Dash Commercial Finance Limited (Asset finance)	80
Rothschilds Continuation Finance PLC (Finance company)	100
Lanebridge Investment Management Limited (Property investment management)	100
Elgin Capital LLP (Investment fund management services)	100
Rothschild Europe BV (Financial advisory company – incorporated in the Netherlands), which owns the following subsidiaries:	50
Rothschild GmbH (Financial advisory company – incorporated in Germany)	100
Rothschild SpA (Financial advisory company – incorporated in Italy)	90
RCF Polska sp. z o.o. (Financial advisory company – incorporated in Poland)	100
Rothschild Portugal Limitada (Financial advisory company – incorporated in Portugal)	100
RCF (Russia) BV (Financial advisory company – incorporated in Russia)	100
Rothschild SA (Financial advisory company – incorporated in Spain)	98
Rothschild (Middle East) Limited (Financial advisory company – incorporated in Dubai)	100
Rothschild Australia Limited (Financial advisory company – incorporated in Australia)	100
Arrow Capital Limited (Investment holding company – incorporated in Australia)	100

The Company's investments in subsidiary undertakings were held at historical cost of £43,547,000 (2014: £43,547,000) less impairment provisions of £3,525,000 (2014: £3,525,000).

31. 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. The smallest group in which they are consolidated is that headed by Paris Orléans SCA, a French public limited partnership. The accounts are available on Paris Orléans' website at www.paris-orleans.com.

Notes to the financial statements

(forming part of the financial statements)

32. Remuneration of directors

	2015 £'000	2014 £'000
Directors' emoluments	2,429	1,867
Amounts receivable under long term profit share schemes	200	193
	2,629	2,060
Pension contributions to money purchase schemes	21	18
	2,650	2,078

The emoluments of the highest paid director were £815,000 (2014: £850,000).

	2015	2014
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	2	2
Defined benefit schemes	1	—