

# Rothschild HDF Investment Adviser Limited

Report of the Directors and Financial Statements for the year  
ended 31 December 2016

**Registered Number 01454959**



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# Strategic Report

## Business Model and Strategic Objectives



Rothschild HDF Investment Adviser Limited (RHIA) is a UK based Investment Management Company authorised and regulated by the Financial Conduct Authority. During the year RHIA entered into an agreement with InRIS UCITS PLC (an alternative UCITS funds platform) - a company based in Ireland and authorised under European Communities Regulations 2011, which acts as an Umbrella Investment Company. Under the agreement, which took effect from 4 August 2016, InRIS UCITS PLC appointed RHIA to act as a consultant to provide assistance in the search and selection of trading advisors to its sub-funds. RHIA continues to also receive distribution fees from this source.

In addition RHIA acts as a delegated portfolio manager and distributor for PO Participations SA (POP) in relation to Luxembourg-domiciled SICAV 'R Investments', which focuses on hedge funds (all AIFs). POP is a Luxembourg-based fellow subsidiary with an Alternative Investment Funds Management licence (AIFM). Finally, RHIA continues to act as the delegated portfolio manager and distributor for sub-funds of its parent Blackpoint Management Limited (BML).

The Company performed well in 2016. Its strategic objective continues to be to grow its delegated portfolio services. The Company now also aims to further diversify its sources of revenue and growth in the alternative UCITS space and benefit from institutional investors' interest in these vehicles. RHIA will take advantage of the clear possibilities between these two activities, in effect leveraging on its research expertise to source managers for the UCITS platform and help in its marketing and distribution alongside other fellow Rothschild & Co Group entities.

During the year RHIA underwent a capital reduction of £2,400,000 which enabled it to eliminate its reserves deficit and pay a dividend of £1,000,000 to BML on 20 September 2016.

## Business Update and Key Performance Indicators

Net fee income for the year ended 31 December 2016 was £2,815,388 (2015: £1,983,938). This 42% increase was largely attributable to changes in the business model described above. Operating expenses grew by 40% during the year, largely due to higher staff costs following increased levels of business activity. Overall this resulted in profit before tax of £1,135,698 compared to £660,188 in 2015.

## Principal Risks and Uncertainties

The principal risks of the Company are market, credit, liquidity, legal, reputational and operational risks. RHIA has put in place frameworks for measuring, monitoring and controlling the risks which it believes are appropriate to its size, complexity, risk-appetite and business plans. The maintenance of sufficient capital is treated as a priority, is integrated in the business planning process and is subject to continual senior management oversight.

The overall framework and group policies for the management of risk within the Rothschild & Co Group and its subsidiary undertakings are set out in the Group Risk Framework. The Group has adopted a risk governance model that requires that all of the Group's businesses and functions establish processes for identifying, evaluating and managing the key risks faced by the Group. It is based on the concept of 'three lines of defense'. This model distinguishes between functions owning and managing risks, functions overseeing risks and functions providing independent assurance.

Specifically, RHIA has policies and procedures and terms of reference which govern the activities of the Board and its Committee of the Board.

**By Order of the Board**

  
Helen Horton for

**N.M. Rothschild & Sons Limited** *Secretary*

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

6 April 2017

# Report of the Directors



The Directors present their report and the audited financial statements for the year ended 31 December 2016.

## Dividends

The Directors paid an interim dividend of £1,000,000 (2015: £nil) during the year.

## Directors

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

Pierre de Croisset

Laurent Levenq

Gary Powell

Marc Romano

Charles Tritton

## Director's Indemnity

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

## Auditor

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

## Audit Information

The Directors who held office at the date of approval of this report of the Directors 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 auditors are aware of that information.

By Order of the Board

Helen Horton for

**N.M. Rothschild & Sons Limited**

*Secretary*

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

6 April 2017

# Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report 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 financial statements for each financial year. Under that law they have elected to prepare the 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 Company will continue in business.

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

# Independent Auditor's Report to the Members of Rothschild HDF Investment Adviser Limited

We have audited the financial statements of Rothschild HDF Investment Adviser Limited for the year ended 31 December 2016 set out on pages 7 to 16. 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.

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 set out on page 4, 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](http://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 Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

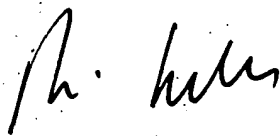
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

# Independent Auditor's Report to the Members of Rothschild HDF Investment Adviser Limited

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

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

- adequate accounting records have not been kept, 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.



**Ravi Lamba (Senior Statutory Auditor)**

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

Chartered Accountants

15 Canada Square

Canary Wharf

London E14 5GL

7 April 2017

# Statement of Comprehensive Income

For the year ended 31 December 2016



	Note	2016 £	2015 £
Investment management fee income	2	1,813,887	1,403,868
Marketing and advisory fee income		132,458	195,612
Distribution fee income		701,152	419,184
Other fee income		309,114	170,716
Investment management fee expense		(141,223)	(205,442)
<b>Net fee income</b>		<b>2,815,388</b>	<b>1,983,938</b>
Staff costs	3	(976,772)	(515,323)
Other expenses		(988,727)	(886,676)
<b>Operating profit</b>		<b>849,889</b>	<b>581,939</b>
Other interest income and expenses	6	(7,862)	1,242
Foreign exchange translation gains		293,671	77,007
<b>Profit before tax</b>		<b>1,135,698</b>	<b>660,188</b>
Taxation	7	(252)	27,461
<b>Profit for the financial year</b>		<b>1,135,446</b>	<b>687,649</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the financial year</b>		<b>1,135,446</b>	<b>687,649</b>

The notes on pages 11 to 16 form an integral part of these financial statements.



# Balance Sheet

At 31 December 2016



	Note	2016 £	2015 £
<b>Current assets</b>			
Trade and other receivables	9	1,934,346	1,422,107
Cash and cash equivalents	10	411,852	525,308
<b>Total Assets</b>		<b>2,346,198</b>	<b>1,947,415</b>
<b>Current liabilities</b>			
Trade and other payables	11	(781,850)	(518,513)
<b>Total liabilities</b>		<b>(781,850)</b>	<b>(518,513)</b>
<b>Net current assets</b>		<b>1,564,348</b>	<b>1,428,902</b>
<b>Net assets</b>		<b>1,564,348</b>	<b>1,428,902</b>
<b>Shareholders' equity</b>			
Share capital	12	400,000	2,800,000
Retained earnings		1,164,348	(1,371,098)
<b>Total shareholders' equity</b>		<b>1,564,348</b>	<b>1,428,902</b>

Approved by the Board of Directors on 6 April 2017 and signed on its behalf by:

Gary Powell, Director

The notes on pages 11 to 16 form an integral part of these financial statements.



# Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital £	Retained earnings £	Total equity £
<b>At 1 January 2016</b>	<b>2,800,000</b>	<b>(1,371,098)</b>	<b>1,428,902</b>
Capital Reduction	(2,400,000)	2,400,000	-
Dividend paid	-	(1,000,000)	(1,000,000)
Total comprehensive income for the financial year	-	1,135,446	1,135,446
<b>At 31 December 2016</b>	<b>400,000</b>	<b>1,164,348</b>	<b>1,564,348</b>
<hr/>			
<b>At 1 January 2015</b>	<b>2,800,000</b>	<b>(2,058,747)</b>	<b>741,253</b>
Total comprehensive income for the financial year	-	687,649	687,649
<b>At 31 December 2015</b>	<b>2,800,000</b>	<b>(1,371,098)</b>	<b>1,428,902</b>

The notes on pages 11 to 16 form an integral part of these financial statements.

# Cash Flow Statement

For the year ended 31 December 2016



		2016	2015
	Note	£	£
<b>Cash flow from operating activities</b>			
Net profit for the financial year		1,135,446	687,649
Taxation		252	(27,461)
<b>Operating gain before changes in working capital and provisions</b>		<b>1,135,698</b>	<b>660,188</b>
Net (increase) in trade and other receivables		(512,239)	(1,039,754)
Net increase/(decrease) in trade and other payables		263,337	(341,287)
<b>Cash generated from operations</b>		<b>886,796</b>	<b>(720,853)</b>
Taxation (paid)/received		(252)	27,461
<b>Net cash flow generated from operating activities</b>		<b>886,544</b>	<b>(693,392)</b>
<b>Cash flow from financing activities</b>			
Dividends paid		(1,000,000)	-
<b>Net cash flow from financing activities</b>		<b>(1,000,000)</b>	<b>-</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(113,456)</b>	<b>(693,392)</b>
Cash and cash equivalents at 1 January		525,308	1,218,700
<b>Cash and cash equivalents at 31 December</b>	10	<b>411,852</b>	<b>525,308</b>

Interest received during the year was £301 (2015: £1,516). Interest paid during the year was £8,163 (2015: £274).

The notes on pages 11 to 16 form an integral part of these financial statements.

# Notes to the Financial Statements



*(forming part of the financial statements)*

For the year ended 31 December 2016

## I. Accounting Policies

Rothschild HDF Investment Adviser Limited (Company) is a private limited company incorporated in England and Wales. The principal accounting policies which have been consistently adopted in the presentation of the financial statements are as follows:

### a. Basis of preparation

The financial statements are prepared and approved by the directors 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 presented and prepared under the historical cost accounting rules.

Unless otherwise disclosed, the same accounting policies have been adopted as the financial statements for the year ended 31 December 2015.

A number of new standards, amendments to standards and interpretations are effective for annual periods ending after 31 December 2016. None of these are expected to have a significant effect on future financial statements.

### b. Interest receivable

Interest receivable is recognised in the statement of comprehensive income using the effective interest rate method.

### c. Revenue

Revenue comprises fees for consultancy, investment management and distribution services which are recognised on an accruals basis.

### d. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with other group companies that are readily convertible to cash and are subject to an insignificant risk of changes in value.

### e. Taxation

Tax payable on profits is recognised in the income statement. 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 the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets are only recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

# Notes to the Financial Statements



*(forming part of the financial statements)*

## 1. Accounting Policies (continued)

### f. Financial risk management

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

- Credit risk – the risk of loss arising from client or counterparty default is not considered a significant risk to the Company as the majority of asset balances are with other group companies as detailed in note 14 Related Parties.
- Market risk – exposure to changes in market variables such as interest rates, currency exchange rates, equity and debt prices is not considered significant.
- Liquidity risk – the risk that the Company is unable to meet its obligations as they fall due or that it is unable to fund its commitments is not considered significant as at the balance sheet date the Company held sufficient cash to meet all future obligations.

### g. Foreign currencies

Transactions in foreign currencies are accounted for at the exchange rates prevailing at the time 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 statement of comprehensive income.

### h. Going Concern

The Directors have prepared the financial statements on a going concern basis which requires them to have a reasonable expectation, based upon their forecasts for the business, that the Company has adequate resources to continue in operational existence for the foreseeable future.

## 2. Investment Management Fee Income

	2016	2015
	£	£
Investment management fee income	1,813,887	1,403,868

The level of investment management fee income is determined by the volume of the Assets Under Management (AUM) held by the funds. Rothschild HDF Investment Adviser Limited recognises a contractually agreed upon percentage of AUM as fee income. This fee income is earned from fellow Rothschild & Co Group entities.

# Notes to the Financial Statements



*(forming part of the financial statements)*

## 3. Staff Costs

No staff are directly employed by the Company. The Company is recharged the costs for the use of staff by another Rothschild Group entity. The amounts paid in respect of such costs are set out below.

	2016	2015
	£	£
Wages and salaries	824,843	431,582
Social security costs	107,037	50,901
Other staff costs	44,892	32,840
	976,772	515,323

## 4. Directors' Emoluments

Only one Director (2015: one) was remunerated in respect of services provided to the Company. This Director is paid by another Rothschild Group entity which then recharges such costs to the Company. The amount recharged for such costs in the year ended 31 December 2016 was £102,025 (2015: £101,809).

## 5. Auditor's Remuneration

	2016	2015
	£	£
Fees payable to the auditor in respect of audit of annual accounts	7,500	7,500
Fees payable to the auditor in respect of other services pursuant to legislation	8,000	5,000

The fees payable to the auditors are borne by a fellow Rothschild Group entity and recharged to the Company.

## 6. Other Interest Receivable and Expense

	2016	2015
	£	£
Interest receivable from an affiliated undertaking	301	1,516
Interest payable to an affiliated undertaking	(1,616)	(274)
Other Interest payable	(6,547)	-
	(7,862)	1,242

# Notes to the Financial Statements

*(forming part of the financial statements)*



## 7. Taxation recognised in the Statement of Comprehensive Income

	2016 £	2015 £
Current tax – current period	-	-
– prior period adjustments	(252)	27,461
<b>Total current tax</b>	<b>(252)</b>	<b>27,461</b>
Deferred tax - utilisation of tax losses brought forward	(229,763)	(164,322)
– prior period adjustments	229,763	164,322
<b>Total deferred tax</b>	<b>-</b>	<b>-</b>
<b>Total tax (charge)/credit to statement of Comprehensive Income</b>	<b>(252)</b>	<b>27,461</b>

The tax (charge)/credit for the year may be explained as follows:

### Reconciliation of the effective tax rate

	2016 £	2015 £
Profit before tax	1,135,698	660,188
Tax (charge) at UK effective corporation tax rate of 20% (2015: 20.25%)	(227,140)	(133,688)
Effects of:		
Expenses not deductible for tax purposes	(2,623)	(3,173)
Adjustment to tax in respect of prior years	229,511	164,322
	<b>(252)</b>	<b>27,461</b>

## 8. Deferred Taxes

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 20 per cent. Deferred tax asset not recognised in respect of tax losses at the year end was £41,434 (2015 :£270,949)

## 9. Trade and Other Receivables

	2016 £	2015 £
Amounts due from parent and affiliated undertakings	1,913,409	1,422,107
Other debtors, prepayments and accrued income	20,937	-
	<b>1,934,346</b>	<b>1,422,107</b>

# Notes to the Financial Statements



*(forming part of the financial statements)*

## 10. Cash and Cash Equivalents

At the year end the Company held cash of £411,852 (31 December 2015: £525,308) with an affiliated undertaking. Of this balance, £236,046 (31 December 2015: £84,835) was held in a sterling account on which the effective interest rate was 0.0% (31 December 2015: 0.25%). The equivalent of £137,735 (31 December 2015: £440,473) was held in a euro account on which the effective interest rate was 0.5% (31 December 2015: 0.0%). The equivalent of £38,071 (31 December 2015: £0) was held in a US Dollar account on which the effective interest rate was 0.0% (31 December 0.0%).

## 11. Trade and Other Payables

	2016	2015
	£	£
Accrued expenses and fees payable	549,923	492,030
Other payables	231,927	26,483
	<b>781,850</b>	<b>518,513</b>

## 12. Share Capital

	2016	2015
	£	£
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	400,000	2,800,000

The issued share capital of the Company comprised 400,000 £1 ordinary shares at 31 December 2016 (2015: 2,800,000 £1 ordinary shares). The Company reduced its share capital by £2,400,000 on 15 September 2016 which was used to eliminate the deficit in retained earnings.

## 13. Parent Company and Ultimate Holding Company

The immediate parent undertaking is Blackpoint Management Limited which is incorporated in Guernsey. The registered office of the immediate parent undertaking is located at Arnold House, St Julian's Avenue, St Peter Port, Guernsey GY1 3NF. The largest group in which the results of the Company are consolidated is that headed by Rothschild Concordia SAS, incorporated in France, and whose registered office is at 23bis, Avenue de Messine, 75008 Paris. The smallest group in which they are consolidated is that headed by Blackpoint Management Limited. The consolidated financial statements of Rothschild Concordia SAS are available to the public and may be obtained from the French Trade Register.

The Company's registered office is located at New Court, St. Swithin's Lane, London EC4N 8AL.



# Notes to the Financial Statements



*(forming part of the financial statements)*

## 14. Related Parties

The Company provides investment advisory and distribution services to its parent undertaking. Investment advisory and distribution fee income is receivable from and investment advisory and distribution fees are payable to other Rothschild Group entities, and expenses are incurred by other Rothschild Group entities and recharged to the Company.

Amounts receivable from related parties at the year end were as follows:

	2016 £	2015 £
Cash at affiliated undertaking	411,852	525,308
Amounts due from parent undertakings	895,943	1,313,679
Amounts due from affiliated undertakings	1,017,466	108,428

Amounts payable to related parties at the year end were as follows:

	2016 £	2015 £
Accrued operating expenses and fees payable to affiliated undertakings	247,384	487,199
Fees payable to parent undertakings	-	4,831

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

	2016 £	2015 £
Net Interest (expense)/ income (to)/ from affiliated undertakings	(1,315)	1,242
Fees receivable from parent undertakings	1,724,524	1,655,616
Fees receivable from other affiliated undertakings	1,232,087	533,764
Investment management fee payable to parent undertakings	-	(78,382)
Investment management fee payable to other affiliated undertakings	(141,223)	(102,842)
Operating expenses payable to other affiliated undertakings	(1,965,499)	(1,401,999)