

Bregal Investments London Limited

Registration number 04345764

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2017

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Company Information

Directors

D.N. Cupit
J.D. Drury
K. Watson

Secretary

J.D. Drury

Registered Office

Michelin House
81 Fulham Road
London
SW3 6RD

Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Directors' report

**To the shareholders of Bregal Investments London Limited
for the year ended 31 December 2017**

The directors present their annual report, together with the audited financial statements of the group for the year ended 31 December 2017 which have been prepared in accordance with the provisions of the Companies Act 2006.

This is the first year for which consolidated accounts have been prepared.

Principal risks and uncertainties

The principal risks and uncertainties including the financial instruments of the company have been outlined in the strategic report.

Going concern

The financial position of the company and its liquidity are reflected in the Statement of Financial Position. The company has sufficient financial resources; as a consequence, the directors believe that the company is well placed to manage its business risks successfully. The directors are satisfied that the company has adequate resources to continue to operate for the foreseeable future and at least for 12 months.

Employees

The company has had no employees during the year. The group has 115 employees during the year (2016: 106).

Directors and their interests

The following directors, unless otherwise stated, have held office since 1 January 2017 up to the date of approval of the financial statements:

D.N. Cupit
J.D. Drury
K. Watson

No director has any beneficial interest in the share capital of the company. None of the directors, nor any member of their respective family, had reported any material interest in contracts involving the company, or interests in the share or loan capital of the ultimate holding company, or its subsidiaries, at the relevant dates which required disclosures.

Independent Auditors

Ernst & Young LLP were appointed auditors for the period ended 31 December 2017. In accordance with s485 of Companies Act 2006, a resolution to reappoint Ernst & Young LLP as auditors will be put to the Directors at the next annual general meeting.

Directors' report (continued)

To the shareholders of Bregal Investments London Limited
for the year ended 31 December 2017

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the company and group financial statements in accordance with applicable law and regulations.

The Companies Act 2006 requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS102 'The Financial Reporting Standard in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Generally Accepted Accounting Practices (United Kingdom Accounting Standards and applicable law) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the group'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 are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each director is aware, there is no relevant audit information of which the group's auditors are unaware. Each director has taken all the steps he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Signed on behalf of the Board 14 September 2018



D. Cupit
Director

Group strategic report

**To the shareholders of Bregal Investments London Limited
for the year ended 31 December 2017**

The purpose of the Strategic report is to inform members of the company and help them assess how the directors have performed their duty under section 172 (duty to promote success of the company) of Companies Act 2006.

DEVELOPMENT AND PERFORMANCE OF THE GROUP'S BUSINESS DURING THE FINANCIAL YEAR

Principal activity

The principal activity of the company is that of managing member of Bregal Investments LLP, Bregal Freshstream LLP and Bregal Capital GP (UK I) LP and of investment holdings including Bregal Capital (LP) Limited, Bregal Investments Inc, Bregal Energy Inc and Bregal Unternehmerkapital GmbH.

Results and dividends

The results for the year are set out on page 10. During the year, the company declared and paid a dividend of £2,044,738 (2016: £3,372,781).

Key performance indicator analysis

Progress is monitored by the group with reference to fee income received from underlying investment funds, which totalled £88,231,838 in the year ending 31 December 2017 (2016: £84,840,261).

POSITION OF THE GROUP AT THE END OF THE FINANCIAL YEAR AND FUTURE DEVELOPMENTS

The group has been profitable in the year and at 31 December 2017 had net assets of £22,915,989 (2016: £22,312,845). The group has adequate resources available to meet its foreseeable obligations. The board does not foresee changes to the business over the next three years and therefore does not anticipate significant changes in the results and the structure of the group.

DESCRIPTION OF THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The group's income represents investment advisory fees, which the directors also consider to be the key performance indicator. The business is subject to risks associated with the industry within which it operates and with attracting and retaining the services of key staff.

The group has exposure to the following risks from its use of financial instruments for which further details can be found in note 1:

Credit Risk

As the companies and partnerships receive the vast majority of income from the investment funds they manage and advise, the exposure to credit risk is limited to the ability of those funds and ultimately the Limited Partners of those funds to meet their commitments. Before agreeing to allow a Limited Partner to enter an investment fund, the Partnership performs appropriate checks on the ability of the investors to meet their commitments before they are admitted.

Group strategic report (continued)

To the shareholders of Bregal Investments London Limited
for the year ended 31 December 2017

Liquidity Risk

The companies and partnerships have insignificant external debt funding and relies on partner capital and operating cash flow to fund operating requirements. They receive quarterly management fees or advisory fees from the investment funds it manages and advises. These fees are generally sufficient to pay the operating costs of the entities. Each entity actively manages its liquidity risk to ensure it has sufficient available funds for operations.

Interest rate cash flow risk

The group has interest bearing assets. Interest bearing assets include only cash balances, some of which earn interest at current rates.

Regulatory risk

The group contains three FCA regulated entities. Each of these entities has adequate resources available to meet its FCA requirements.

Currency risk

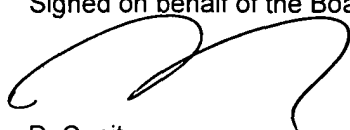
The group is exposed to foreign exchange rate risk as a result of the inclusion in the financial statements of the results of subsidiaries denominated in Euros and USD.

The below sensitivity analysis is performed based on the sensitivity of the group's net assets and net result for the period after tax to movements in foreign currency exchange rates assuming a 10% movement in exchange rates against sterling.

	USD	Exchange rates USD/GBP			Impact of FX movement	
		Actual	+10%	-10%	+10%	-10%
Result of the year after tax	4,590,926	0.78	0.85	0.70	356,426	(356,426)
Total net assets	12,752,131	0.74	0.81	0.67	943,598	(943,598)

	Euro	Exchange rates EUR/GBP			Impact of FX movement	
		Actual	+10%	-10%	+10%	-10%
Result of the year after tax	(213,787)	0.88	0.96	0.79	(18,741)	18,741
Total net assets	5,714,700	0.89	0.98	0.80	507,180	(507,180)

Signed on behalf of the Board on 14 September 2018



D. Cupit
Director

Independent auditor's report to the members of Bregal Investments London Limited

Opinion

We have audited the financial statements of Bregal Investments London Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise of the Group Statement of Comprehensive Income, Group Statement of Financial Position, Group Cash Flow Statement, Group Statement of Changes in Equity, Company Statement of Changes in Equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ▶ give a true and fair view of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Independent auditor's report to the members of Bregal Investments London Limited

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report to the members of Bregal Investments London Limited

Auditor's responsibilities for the audit of the financial statements

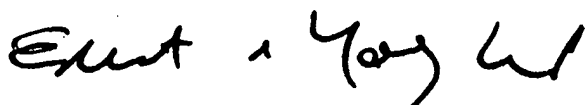
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Ashley Coups (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

14 September 2017

Group Statement of comprehensive income

for the year ended 31 December 2017

	Notes	2017 £	2016 £
Income			
Management/Advisory fee income	3	88,231,838	84,840,261
Expense reimbursement		2,522,665	3,876,852
		<u>90,754,503</u>	<u>88,717,113</u>
Expenses			
Administration expenses		(85,345,649)	(75,756,610)
Operating profit	2	<u>5,408,854</u>	<u>12,960,503</u>
Other income		50,704	-
Interest receivable		153,790	52,340
Interest payable		(30,763)	(5,261)
Foreign exchange differences		(666,241)	(846,914)
		<u>4,916,344</u>	<u>12,160,667</u>
Profit on ordinary activities before taxation		<u>4,916,344</u>	<u>12,160,667</u>
Taxation	5	(2,268,462)	(3,115,897)
Profit on ordinary activities after taxation		<u>2,647,882</u>	<u>9,044,770</u>
Other comprehensive loss			
Change in unrealised loss on marketable securities		-	(61,488)
Comprehensive income		<u>2,647,882</u>	<u>8,983,282</u>

There is no difference between the profit on ordinary activities after taxation and its historical cost equivalent.

All items dealt with in arriving at operating profit relate to continuing activities.

The Directors have chosen to apply the exemption under S.408 of the Companies Act 2006 and therefore not disclosed the Company's individual statement of Comprehensive Income.

The notes on pages 16 to 31 form an integral part of these financial statements.

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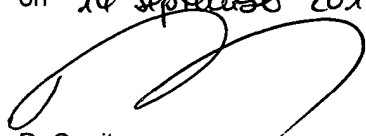
Group Statement of financial position

as at 31 December 2017

	Notes	2017 £	2016 £
Fixed assets			
Tangible fixed assets	7	4,342,898	4,097,987
Intangible fixed assets	8	28,281	-
Investments in investment portfolio	10	106,315	113,926
Long-term debtors and loans	11	2,943,365	2,268,837
Deferred tax assets	5	271,263	771,911
		<u>7,692,122</u>	<u>7,252,661</u>
Current assets			
Debtors	12	21,062,487	28,414,362
Cash at bank and in hand		8,273,480	9,407,315
		<u>29,335,967</u>	<u>37,821,677</u>
Creditors: amounts falling due within one year	13	(14,112,100)	(22,761,494)
Net current assets		<u>15,223,867</u>	<u>15,060,184</u>
Net assets		<u>22,915,989</u>	<u>22,312,845</u>
Capital and reserves			
Called up share capital – ordinary shares	14	701,001	701,001
Share premium reserve	14	7,831,823	7,831,823
Merger reserve	15	3,030,270	3,030,270
Profit and loss account		11,352,895	10,749,751
Shareholders' funds		<u>22,915,989</u>	<u>22,312,845</u>

The notes on pages 16 to 31 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 14 September 2018



D. Cupit
Director

Registration number 04345764

Company Statement of financial position

as at 31 December 2017

	Notes	2017 £	2016 £
Fixed assets			
Investments in Subsidiaries	9	12,697,062	11,016,325
		<u>12,697,062</u>	<u>11,016,325</u>
Current assets			
Debtors	12	544,411	320,861
Cash at bank and in hand		4,796	14,652
		<u>549,207</u>	<u>335,513</u>
Creditors: amounts falling due within one year	13	(32,161)	(14,850)
Net current assets / (liabilities)		<u>517,046</u>	<u>320,663</u>
Net assets		<u>13,214,108</u>	<u>11,336,988</u>
Capital and reserves			
Called up share capital – ordinary shares	14	700,001	700,001
Share premium reserve	14	7,831,823	7,831,823
Profit and loss account		4,682,284	2,805,164
Shareholders' funds		<u>13,214,108</u>	<u>11,336,988</u>

The notes on pages 16 to 31 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 14 September 2018



D. Cupit
Director

Group cash flow statement

as at 31 December 2017

	2017 £	2016 £
Cash from operating activities		
Comprehensive income	2,647,882	8,983,282
Depreciation and amortisation	845,111	911,097
Disposal of fixed assets	337,559	-
Revaluation of tangible fixed assets	177,714	(406,449)
Decrease/(Increase) in debtors	7,351,875	(14,646,545)
Increase/(Decrease) in creditors	(6,143,196)	12,780,499
Tax provisions	2,309,492	1,541,653
Taxes paid	(4,815,688)	(1,609,980)
Accrued interest in loans	(11,094)	(10,965)
Revaluation in other loans	17,249	(44,841)
Revaluation on investments	10,042	(29,363)
Movement in deferred tax assets	500,648	(295,583)
Long term debtors	(953,280)	(1,864,517)
Net cash from operating activities	2,274,314	5,308,464
Cash from investing activities		
Purchases of tangible fixed assets	(1,601,803)	(1,513,881)
Purchases of computer software	(31,772)	-
(Payments)/Receipts of other loans	272,596	(125,503)
Receipts from investments	(2,431)	61,590
Purchase of subsidiaries	(1)	(220,000)
Net cash from investing activities	(1,363,411)	(1,797,794)
Cash from financing activities		
Dividends paid to parent company	(2,044,738)	(3,372,781)
Net cash from financing activities	(2,044,738)	(3,372,781)
Net cashflow	(1,133,835)	137,889
Cash - Opening balance	9,407,315	9,269,425
Cash - Closing balance	8,273,480	9,407,315
Net movement during the year	(1,133,835)	137,889

The notes on pages 16 to 31 form an integral part of these financial statements.

Group statement of changes in equity

For the year ended 31 December 2017

	Share capital £	Share premium £	Profit and loss account £	Merger Reserve £	Total shareholders' funds £
					2017
At 1 January	701,001	7,831,823	10,749,751	3,030,270	22,312,845
Shares issued during the year	-	-	-	-	-
Retained profit for the year	-	-	2,647,882	-	2,647,882
Dividend paid	-	-	(2,044,738)	-	(2,044,738)
At 31 December	701,001	7,831,823	11,352,895	3,030,270	22,915,989

	Share capital £	Share premium £	Profit and loss account £	Merger reserve £	Total shareholders' funds £
					2016
At 1 January	701,001	7,831,823	5,139,250	3,030,270	16,702,345
Shares issued during the year	-	-	-	-	-
Retained profit for the year	-	-	8,983,282	-	8,983,282
Dividend paid	-	-	(3,372,781)	-	(3,372,781)
At 31 December	701,001	7,831,823	10,749,751	3,030,270	22,312,845

The notes on pages 16 to 31 form an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2017

	Share capital £	Share premium £	Profit and loss account £	Total shareholders' funds £ 2017
At 1 January	700,001	7,831,823	2,805,164	11,336,988
Shares issued during the year	-	-	-	-
Retained profit for the year	-	-	3,921,858	3,921,858
Dividend paid	-	-	(2,044,738)	(2,044,738)
At 31 December	700,001	7,831,823	4,682,284	13,214,108

	Share capital £	Share premium £	Profit and loss account £	Total shareholders' funds £ 2016
At 1 January	700,001	7,831,823	2,455,528	10,987,352
Shares issued during the year	-	-	-	-
Retained profit for the year	-	-	3,722,417	3,722,417
Dividend paid	-	-	(3,372,781)	(3,372,781)
At 31 December	700,001	7,831,823	2,805,164	11,336,988

The notes on pages 16 to 31 form an integral part of these financial statements.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

1. Accounting policies

Basis of preparation

The financial statements for the period ended 31 December 2017 and have been prepared in accordance with FRS 102 and the Companies Act 2006 and represent financial information about the company and the group for the year ended 31 December 2017.

The financial statements are presented in Sterling, which is also the functional currency of the company.

Consolidation

The group financial statements consolidate the financial statements of the company and the following subsidiary undertakings drawn up to 31 December each year:

- Bregal Investments LLP
- Bregal Investments Inc
- Bregal Energy Inc
- Bregal Capital LLP
- Bregal Capital (UK I) LLP
- Bregal Capital (LP) Limited
- Bregal Finco Limited
- Bregal Freshstream LLP
- Bregal Unternehmerkapital GmbH
- BSI2 Hold Eggplant Inc

No statement of comprehensive income is presented for the company as permitted by section 408 of the Companies Act 2006. The profit on ordinary activities after tax for the company was £3,921,858 (2016: £3,722,417).

Subsidiaries are consolidated from the date of their acquisition, being the date on which the group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

Merger accounting

All business combinations are accounted for by applying the purchase method, except for group reconstructions that are in substance a gift or that are a merger, for which merger accounting is applied.

Statement of compliance

The financial statements have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006. These have been applied consistently throughout the current year and preceding period.

Fee income

Fee income arises from continuing activities and is accounted for on an accruals basis. Fee income, which is stated net of value added tax, represents fees for investment advisory or administration services provided to entities domiciled in the United Kingdom, Jersey, The Netherlands, Switzerland and Germany.

Investment in subsidiaries

The company's investment in subsidiaries are recorded at cost less impairment.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

Investments in investment portfolio

Investments are carried at fair value and are classified as available-for-sale securities. Unrealized gains or losses are recognized in other comprehensive income. Realized gains and losses are determined on the basis of specific identification

The group values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting guidance emphasizes that fair value is a market-based measurement that should be determined based on the assumptions market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, accounting guidance establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). Valuation techniques used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active
- c. Inputs other than quoted prices that are observable for the asset or liability
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances, which might include the reporting entity's own data. However, market participant assumptions cannot be ignored and, accordingly, the reporting entity's own data used to develop unobservable inputs are adjusted if information is reasonably available without undue cost and effort that indicates that market participants would use different assumptions.

The fair value hierarchy guidance gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. There are no judgements (apart from those involving estimates) that have had a significant effect on amounts recognised in the financial statements.

Taxation

United Kingdom corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the Statement of Financial Position date. Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

Foreign currency

The Group's functional and presentation currency is the pound sterling.

Transactions in foreign currencies are initially recorded in the company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Assets and liabilities including long term liabilities in foreign currencies are translated into Sterling at rates of exchange ruling on the balance sheet date. Trading results denominated in foreign currencies are translated into Sterling at average rates of exchange during the year. Foreign exchange gains and losses are included in the statement of comprehensive income.

Fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets on a straight line basis over its expected useful life, as follows:

Property improvements	-	Over the period of the lease
Office equipment	-	3 years
Cars	-	5 years

Intangible assets

Computer software has been capitalised and is shown net of amortisation. It is amortised over 3 years.

Cash at bank and in hand

Cash is represented by cash held at bank and in hand, as detailed on the face of the statement of financial position.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term, with the exception that the group has taken advantage of the optional exemption available on transition to FRS 102 (Section 35) which allows lease incentives on leases entered into before the date of transition to FRS 102 to continue to be charged over the period to the first market rent review, rather than the term of the lease.

Rental income generated under operating leases is charged to the profit and loss account on a straight line basis over the lease term.

Financial instruments

Short term debtors and creditors

Debtors and creditors with no stated interest rate and payable within one year are recorded at transaction price, and are included in the statement of financial position.

Any losses arising from impairment of debtors are recognised as charges in the statement of comprehensive income.

2. Operating profit

This is stated after charging:

	Group 31 December 2017	Group 31 December 2016
	£	£
Auditors' remuneration - group	109,577	93,821
Auditors' remuneration - company	14,000	13,500
Depreciation and amortization	845,111	911,097
Operating leases	3,934,323	3,852,339
Foreign exchange loss	666,241	846,914

3. Fee income

Income, which is stated net of value added tax, represents fees receivable for investment advice, and management fees provided during the year. Fees are recognised on a receivable basis.

An analysis of income by geographical market is given below:

	2017 £	2016 £
Jersey	86,714,396	83,828,071
United Kingdom	1,093,265	644,647
The Netherlands	20,833	31,314
Switzerland	330,000	336,229
Germany	73,344	-
Total fee income	88,231,838	84,840,261

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

4. Directors remuneration

	2017 £	2016 £
Aggregate remuneration in respect of qualifying services	1,359,098	1,233,343
In respect of the highest paid director:		
Aggregate remuneration	868,847	779,756
Accrued pension at the year end	18,750	-

5. Tax on profit on ordinary activities

(a) Analysis of charge in year

	2017 £	2016 £
Current tax:		
UK Corporation tax on profit for the year	772,000	2,783,036
Prior year under / (over) provision	(76,738)	(15,959)
Withholding tax	107,618	-
Foreign tax	973,939	539,474
Total current tax	1,776,819	3,306,552
Deferred tax:		
Adjustments to tax charge in respect of prior period	491,643	(190,655)
Tax charge on profit on ordinary activities	2,268,462	3,115,897

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

Tax on profit on ordinary activities (continued)

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

	2017 £	2016 £
Profit on ordinary activities before tax	4,916,344	12,160,667
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 19.25% (2016: 20%)	946,396	2,432,133
Effects of:		
Prior year under / (over) provision	(76,738)	(15,959)
Expense not deductible for tax purposes	290,935	350,903
Withholding tax	107,618	-
Impact of differently taxed overseas subsidiaries in overseas locations	508,608	539,474
Total tax charge for the year	1,776,819	3,306,552

(c) Deferred tax assets

	2017 £	2016 £
At 1 January	771,911	476,328
Deferred tax movement included in the income statement	(491,643)	190,655
Foreign exchange rate movement	(9,005)	104,928
At 31 December	271,263	771,911

The net deferred tax asset consists of:

Temporary timing differences	280,268	666,983
Exchange adjustment	(9,005)	104,928
At 31 December	271,263	771,911

The deferred tax asset relates to timing differences between the taxable income allocated from the Partnership versus the accounting income recorded in the financial statements, and to net temporary differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases that will result in future deductions.

The UK Government announced as part of the Finance (No 2) Act 2015, which received Royal Assent on 18 November 2015, that the main rate of corporation tax rate would be reduced from 20% to 19% from 1 April 2017. The deferred tax liability at 31 March 2018 has been calculated based on these rates.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

6. Employees

	Year ended 31 December 2017	Year ended 31 December 2016
	Number	Number
The average number employed by the Group was:	115	106
The costs incurred in respect of these employees were:	£53,113,877	£47,772,932
	£	£
Wages and salaries	48,765,598	43,668,393
Social Security costs	2,410,867	2,035,478
Other staff costs	1,268,828	1,610,152
Pension costs	668,584	458,908
	<u>53,113,877</u>	<u>47,772,932</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

7. Tangible Fixed Assets

	Leasehold improvements	Office equipment and computers	Total for 2017
Cost	£	£	£
At 1 January 2017	6,642,088	2,733,977	9,376,065
Additions	1,295,107	306,696	1,601,803
Disposals	(1,020,795)	-	(1,020,795)
Revaluation	(350,231)	(176,577)	(526,808)
At 31 December 2017	6,566,169	2,864,096	9,430,265
Depreciation			
At 1 January 2017	(3,067,676)	(2,210,402)	(5,278,078)
Charge for the year	(595,603)	(246,017)	(841,620)
Disposals	683,236	-	683,236
Revaluation	185,580	163,515	349,095
At 31 December 2017	(2,794,463)	(2,292,904)	(5,087,367)
Net book value			
At 1 January 2017	3,574,412	523,575	4,097,987
At 31 December 2017	3,771,706	571,192	4,342,898

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

7. Tangible Fixed Assets (continued)

	Leasehold improvements	Office equipment and computers	Total for 2016
Cost	£	£	£
At 1 January 2016	4,893,364	1,968,361	6,861,725
Additions	1,122,041	391,844	1,513,885
Disposals	-	-	-
Revaluation	626,683	373,772	1,000,455
At 31 December 2016	6,642,088	2,733,977	9,376,065
Depreciation			
At 1 January 2016	(2,129,114)	(1,646,773)	(3,775,887)
Charge for the year	(647,795)	(259,805)	(907,600)
Disposals	-	-	-
Revaluation	(290,767)	(303,824)	(594,591)
At 31 December 2016	(3,067,676)	(2,210,402)	(5,278,078)
Net book value			
At 1 January 2016	2,764,250	321,588	3,085,838
At 31 December 2016	3,574,412	523,575	4,097,987

8. Intangible fixed assets

	Computer software 2017	Computer software 2016
Cost	£	£
At 1 January	39,964	33,278
Additions	31,772	-
Revaluation	(3,523)	6,686
At 31 December	68,213	39,964
Amortisation		
At 1 January	(39,964)	(30,366)
Charge for the year	(3,491)	(3,497)
Revaluation	3,523	(6,101)
At 31 December	(39,932)	(39,964)
Net book value	28,281	-

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

9. Investment in subsidiaries (for the Limited company only)

	2017 £	2016 £
<i>Bregal Investments LLP</i>		
Initial members capital	5,000	5,000
Receivable	5,080,199	3,399,462
<i>Bregal Freshstream LLP</i>		
Initial members capital	50,000	50,000
<i>Bregal Capital GP (UK I) LLP</i>		
Initial members capital (EUR 500)	392	392
<i>Bregal Investments Inc</i>		
1,000 common shares (at cost)	4,295,669	4,295,669
<i>Bregal Energy Inc</i>		
100 common shares (at cost)	3,027,265	3,027,265
<i>Bregal Capital (LP) Limited</i>		
4,000,000 ordinary shares of EUR 1 and 1 ordinary share of £ 1 (at cost)	220,000	220,000
<i>Bregal Unternehmerkapital GmbH</i>		
25,000 ordinary shares of EUR 1 (at cost)	18,537	18,537
<i>BSI2 Hold Eggplant Inc</i>		
1 ordinary share of USD 1 (at cost)	1	-

The receivable from Bregal Investments LLP, is unsecured, interest free and have no fixed date for repayment.

On 31 December 2015, the company acquired Bregal Capital (LP) Limited and its subgroup as well as Bregal Investments Inc and Bregal Energy Inc.:

During 2015 the company acquired 100% of the shares issued in Bregal Investments Inc and Bregal Energy Inc from COFRA Holding AG, the company's parent. The companies were acquired in exchange for new shares being issued by the company at a premium. The respective acquisition values were £4,295,669 and £3,736,154.

During 2015 the company acquired 100% of the shares issued in Bregal Capital (LP) Limited from Cofra Jersey Limited, a related party due to common control. The purchase price was £220,000 and at the year end the amount was still owed, but it has been settled in full during 2016. The net assets Bregal Capital (LP) Limited were £3,250,270 and the difference was taken to a merger reserve under merger accounting of £3,030,270.

During 2017 the company acquired 100% of the shares issued in BSI2 Hold Eggplant Inc.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

10. Investments in investment portfolio

The movement in level 3 instruments for the year ended 31 December 2017 was:

	2017	2016
	£	£
Cost as at 1 January	139,407	139,407
Revaluation brought forwards	(25,481)	6,746
Net book value brought forward	113,926	146,153
FX revaluation during the year	(10,042)	29,363
Payments/(Receipts) during the year	-	43,584
Investment revaluation during the year	2,431	(105,174)
Net book value at 31 December	106,315	113,926

As at 31 December 2017, Bregal Investments Inc held investments in available for sale securities as follows:

Description	31 December 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares in Laureate Education Inc.	\$143,678	-	-	\$143,678
Total	\$143,378	-	-	\$143,678

At 31 December 2017, Bregal Investments Inc owned 11,773 (2016: 11,773) unlisted Class B shares of Laureate Education, Inc. At the year end the Investment has been valued by applying a discount to a similar instruments (being Class A Laureate shares which are traded on the NASDAQ). The discount rate of 10% has been applied in order to account for the illiquid nature of Class B shares due to restrictions applied on them. Bregal Investment Inc's marketable securities as of 31 December 2017, are summarized as follows:

	Cost	Fair value	Unrealised loss
Laureate Education Inc.	\$270,000	\$143,678	\$126,622

The following table summarises the quantitative inputs used for investment within level 3 of the valuation hierarchy as of 31 December:

Industry	Fair value	Valuation methodology	Unobservable input	Range
Education	\$143,678	Discount to similar investment	Discount rate	10%

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

11. Debtors – due more than one year

	Group	Company	Group	Company
	31 December 2017	31 December 2017	31 December 2016	31 December 2016
	£	£	£	£
Loans receivable by Bregal Investments Inc	125,568	-	255,849	-
Loan receivable by Bregal Capital LLP	-	-	148,471	-
Loan receivable by Bregal Freshstream LLP	2,817,797	-	1,803,118	-
Loan receivable by Bregal Finco Limited	-	-	61,399	-
	<u>2,943,365</u>	<u>-</u>	<u>2,268,837</u>	<u>-</u>

Interest on the loans receivable by Bregal Freshstream LLP and Bregal Capital LLP is accrued at the higher of (a) EURIBOR 1 month relative to each interest period plus 2% and (b) HMRC's official rate of interest applicable to beneficial loan agreements relative to each interest period. The loans are repayable on demand. The Bregal Capital LLP loan has been repaid during the year.

Loan interest in Bregal Finco Limited was calculated at fixed interest rate of 5% on all loans, which are redeemable on demand. The loan has been repaid during the year.

As of 31 December 2017, Bregal Investments Inc had one outstanding loan to an employee in the form of promissory notes. The total outstanding amount at year end was \$169,697. The interest rate charged on these notes is LIBOR + 3.50% and the due date is February 17, 2025. Had these transactions been made with unaffiliated parties, the terms may be different. This loan was repaid in January 2018.

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

12. Debtors – due less than one year

	Group	Company	Group	Company
	31 December 2017	31 December 2017	31 December 2016	31 December 2016
	£	£	£	£
Trade debtors	13,934,177	-	23,919,674	120
Other debtors	4,707,240	124,640	3,208,216	1,276
Deferred tax asset	-	419,771	-	120,298
Other tax balances	1,744,542	-	-	199,167
Prepayments and accrued income	676,528	-	1,286,472	-
	<u>21,062,487</u>	<u>544,411</u>	<u>28,414,362</u>	<u>320,861</u>

13. Creditors: amounts falling due within one year

	Group	Company	Group	Company
	31 December 2017	31 December 2017	31 December 2016	31 December 2016
	£	£	£	£
Accounts payable	1,051,144	-	294,372	922
Other creditors	2,028,621	17,717	3,465,436	-
Accruals and deferred income	4,903,157	14,000	4,775,674	13,500
Tax payable	-	-	761,656	-
Amount due to group undertakings	6,129,178	444	13,464,354	428
	<u>14,112,100</u>	<u>32,161</u>	<u>22,761,492</u>	<u>14,850</u>

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

14. Share capital

	2017 £	2016 £
Authorised 1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Issued and allotted 700,001 ordinary shares of £1 1,000 shares of £1 (minority shareholders within the group)	700,001 1,000	700,001 1,000
Share premium	7,831,823	7,831,823

15. Merger reserve

The group had a merger reserve due to the excess Net Assets on acquisition of subsidiaries over the consideration paid:

	2017 £	2016 £
Merger reserve	3,030,270	3,030,270

16. Operating lease commitments

At 31 December 2017 the group had future minimum commitments under non-cancellable operating leases as follows:

	2017 £	2016 £
Within one year	4,511,733	3,815,861
In two to five years	14,950,163	8,937,118
In over five years	2,480,563	5,413,659

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

17. Related party transactions

All of the entities listed below are subsidiaries of COFRA Holding AG which is the immediate and ultimate parent company, resident in Switzerland.

As at 31 December 2017 amounts included in creditors in relation to subsidiaries of the COFRA group are:

- Anthos Duesseldorf GmbH £nil (2016: £108,804)
- Cofra Duesseldorf GmbH £17,734 (2016: £69,708)
- Cofra Treasury Sarl £6,430,308 (2016: £2,270,940)
- Bregal General Partner Jersey Limited £nil (2016: £5,747,603)
- Bregal Unternehmerkapital General Partner Limited £83,333 (2016: £nil)

Similarly, the amounts in debtors include:

- Cofra Treasury Sarl £10,565,339 (2016: £6,046,784)
- Cofra Holding AG £nil (2016: £6,229)
- Entrepreneurs Fund Management LLP £nil (2016: £28,565)
- Redevco UK Ltd £nil (2016: £5,130)
- Redevco BV £234,189 (2016: £257,675)
- Bregal Freshstream General Partner Jersey Limited £52,440 (2016: £2,413,568)
- Bregal General Partner Jersey Limited £174,377 and \$122,109 (2016: \$1,023,913)
- Bregal Unternehmerkapital General Partner Limited £409,566 (2016: £8,108,069)
- Bregal North America General Partner Jersey Limited \$1,112,456 (2016: \$2,577,862)
- Bregal Sagemount II General Partner Jersey Limited \$488,946 (2016: nil)
- Bregal Sagemount II Jersey Limited \$99,526 (2016: nil)
- Good Energies General Partner Jersey Limited \$712,589 (2016: \$519,230)
- Cofra Investments General Partner Limited £12,772 (2016: £nil)
- Cofra North America Inc \$125,226 (2016: \$48,942)

During 2017, the group has charged £775,100 (2016: £624,813) to Cofra G.B. Limited for rent, service charges and other occupancy costs.

In 2017, recharges in relation to services rendered to the group have been charged to Cofra Holding AG of £330,000 (2016: £336,229) and to Entrepreneurs Fund Management LLP of £nil (2016: £23,804).

During the year the group has been charged bank interest by Cofra Treasury Sarl of £23,132 (2016: £5,261). It has also been charged for payroll and bookkeeping services by and by Cofra Duesseldorf GmbH £26,464 (2016: £40,964) and Anthos Duesseldorf GmbH of £1,826 (2016: £20,655).

In 2017, Redevco UK Ltd has been charged subscription costs of £nil (2016: £6,314).

Notes to the Financial Statements (continued)

for the year ended 31 December 2017

18. Related party transactions (continued)

Included in turnover is £11,477,601 (2016: £9,739,013) of advisory fee income from Bregal Freshstream General Partner Jersey Limited, £17,667,540 (2016: £9,150,788) from Bregal General Partner Jersey Limited, £8,531,511 (2016: £14,309,059) from Bregal Capital General Partner Jersey Limited, £11,128,192 (2016: 13,024,545) from Bregal Unternehmerkapital General Partner Limited, £15,181,872 (2016: 18,086,151) from Bregal North America General Partner Jersey Limited, £9,146,497 (2016: £8,588,964) Bregal Sagemount II General Partner Jersey Limited, £2,487,218 (2016: nil) Bregal Sagemount II Jersey Limited and £3,745,360 (£2,813,821) Good Energies General Partner Jersey Limited

19. Ultimate parent company

In the opinion of the directors, the immediate and ultimate parent company and controlling party is COFRA Holding AG, resident in Switzerland.

20. Subsequent events after balance sheet date

There are no subsequent events to disclose.