

Registered no. 05344508

**European Capital Financial Services Limited**

**Annual Report and Financial Statements**

**for the year ended 31 December 2017**

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29/11/2018 #23  
COMPANIES HOUSE

# **European Capital Financial Services Limited**

**Annual Report and Financial Statements for the year ended 31 December 2017**

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## **CONTENTS**

|   | <b>Page(s)</b>  |
|---|-----------------|
| Directors and Advisers  | <b>2</b>        |
| Strategic Report for the year ended 31 December 2017                  | <b>3</b>        |
| Directors' Report for the year ended 31 December 2017                 | <b>4 to 6</b>   |
| Statement of Financial Position                                       | <b>7</b>        |
| Statement of Comprehensive Income                                     | <b>8</b>        |
| Statement of Changes in Equity  | <b>9</b>        |
| Cash Flow Statement   | <b>10</b>       |
| Notes to the Financial Statements for the year ended 31 December 2017 | <b>11 to 26</b> |

## **European Capital Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2017

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### **DIRECTORS AND ADVISERS**

#### **Directors**

|                                |   |
|--------------------------------|---|
| Mr Hugh Alexander Phillips     | (Appointed 11 January 2017, resigned 27 September 2017) |
| Mr Josh Bloomstein             | (Appointed 11 January 2017)                             |
| Mr Blair Jacobson              | (Appointed 11 January 2017)                             |
| Mr Matthew Michael Theodorakis | (Appointed 27 September 2017)                           |
| Mr Tom McHale                  | (Appointed 25 August 2005, resigned 11 January 2017)    |
| Mr Juan Carlos Morales Cortes  | (Appointed 25 August 2005, resigned 11 January 2017)    |
| Mr Ira Jay Wagner              | (Appointed 9 February 2005, resigned 11 January 2017)   |

#### **Company Secretary**

|                   |  |
|-------------------|--|
| Ms Cecile Loiseau | (Appointed 13 October 2009, resigned 12 June 2017) |
|-------------------|--|

#### **Registered office**

25 Bedford Street  
London  
WC2E 9ES

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors of European Capital Financial Services Limited (the "Company") present their strategic report for the year ended 31 December 2017.

Numbers within this report are in thousands, unless otherwise indicated.

### Review of business and key performance indicators

The principal activity of European Capital Financial Services Limited ("the Company") was to provide investment advisory services to its 100% immediate parent, European Capital Asset Management Limited ("ECAM").

The key financial and other performance indicators during the year were as follows:

|   | Year ended<br>31 December 2017<br>€' 000 | Year ended<br>31 December 2016<br>€' 000 | Change<br>% |
|---|--|--|-------------|
| Revenue   | 1,213                                    | 10,945                                   | -89%        |
| Operating (loss)/profit                                   | (831)                                    | (14,073)                                 | -94%        |
| (Loss)/Profit attributable to the Company's equity holder | (1,094)                                  | (14,882)                                 | NM          |
| Equity shareholder's funds                                | 1,531                                    | 8,893                                    | -83%        |
| Number of employees                                       |  | 45                                       | -100%       |

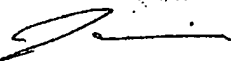
The directors feel that business has remained broadly in line with expectations due to the business changes detailed below. The Board also gives consideration to ACAS's strategic report.

European Capital Limited and its consolidated subsidiaries (together "ECL") were the main customers of ECAM. In 2017, the advisory fee earned by the Company dropped by 89% (2016: 15% decrease) as a result of the termination of the management agreement with ECL. Combined with an increase in administrative expenses the Company has an operating loss of €831 (2016: €14,073).

Equity Shareholder's funds decreased by 83% (increase in 2016: 202%) due to the loss for the year and the share capital repayment.

Staffing levels have decreased in 2017 by 100% (2016: 2% increase) from 45 people at the start of the year (2016: 44) to nil (2016: 45) people at the end.

Signed for and on behalf of the Board



Josh Bloomstein  
Director

Date: 11/28/2018

## **European Capital Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2017

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors of European Capital Financial Services Limited (the "Company") present their report and financial statements for the year ended 31 December 2017.

A number of items stated in this directors' report have also been included in the strategic report outlined on page 3.

#### **Incorporation**

The Company was incorporated in England and Wales on 27 January 2005 as a private company limited by shares.

#### **Principle activities**

The principal activity of the Company was to provide investment advisory services to its 100% immediate parent, European Capital Asset Management Limited ("ECAM"). As from January 3, 2017, ECAM is a wholly owned indirect subsidiary of its ultimate parent company, Ares Capital Corporation ("ARCC"). The registered office of ARCC is 245 Park Avenue, New York, NY 10167, The United States of America and ARCC is listed on the NASDAQ stock exchange. Prior to this date, ECAM was wholly owned by American Capital Ltd ("ACAS").

On January 3, 2017, ARCC completed the acquisition of ACAS and its subsidiaries. The combined company remains externally managed by Ares Capital Management LLC. American Capital Asset Management, LLC ("ACAM"), a wholly owned portfolio company of ACAS, merged with and into Ares Capital's portfolio company, Ivy Hill Asset Management, L.P. ("IHAM"), a wholly owned portfolio company of Ares Capital. All current ARCC officers and directors remain in their current roles.

The Company operates in Europe and at the reporting date had a branch registered in France. The Company has been authorised by the FCA since March 2006.

#### **International Financial Reporting Standards**

The directors have prepared the financial statements for the Company under EU endorsed International Financial Reporting Standards, IFRIC interpretations ("IFRS") and in accordance with the Companies Act 2006.

#### **Functional currency**

The financial statements are denominated in euros and the directors consider euros to be the currency of the primary economic environment in which the Company operates.

#### **Results and dividends**

The results for the financial year are shown on page 7. The directors do not recommend the payment of a dividend (2016: €nil).

## **European Capital Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2017

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)**

#### **Going concern**

The financial statements have been prepared on a going concern basis. The Company believes that it has sufficient financial resources to meet its commitments and it is the intention for the Group and Company to continue to be a going concern for the next 12 months following approval of the financial statements.

#### **Directors**

The directors who served during the year and up to the date of this report are detailed on page 1.

#### **Directors' interests**

None of the directors have held any interest in the shares of the Company during the financial year or to date.

#### **Creditor payment policy**

For all trade creditors, it is the Company's policy to:

- \* agree the terms of payment at the start of business with that supplier;
- \* ensure that suppliers are aware of the terms of payment; and
- \* pay in accordance with its contractual and other legal obligations.

#### **Risk Management Policy**

The Company's risk management policy and objective are detailed in note 3 of the financial statements.

**European Capital Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2017

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 (Continued)**

**Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have prepared the Company financial statements in accordance with IFRS as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the year.

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;
- \* ensure that these financial statements comply with IFRS as adopted by the European Union; and
- \* prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the consolidated financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Signed for and on behalf of the Board

  
Josh Bloomstein  
Director

Date: 11/28/2018

**European Capital Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2017

**STATEMENT OF FINANCIAL POSITION**

|   |      | 31-Dec-17    | 31-Dec-16     |
|---|------|--------------|---------------|
|   |      | '000         | '000          |
|   | Note | EUR          | EUR           |
| <b>Assets</b>                                   |      |              |               |
| <b>Non-current assets</b>                       |      |              |               |
| Property, plant and equipment                   | 5    | -            | 374           |
| Intangible assets                               | 6    | -            | 43            |
| <b>Total non-current assets</b>                 |      | <b>-</b>     | <b>417</b>    |
| <b>Current assets</b>                           |      |              |               |
| Trade and other receivables                     | 7    | 160          | 2,184         |
| Amounts due from entities under common control  | 8    | 749          | 1,178         |
| Cash and cash equivalents                       | 9    | 1,254        | 18,094        |
| <b>Total current assets</b>                     |      | <b>2,162</b> | <b>21,456</b> |
| <b>Total Assets</b>                             |      | <b>2,162</b> | <b>21,873</b> |
| <b>Equity and Liabilities</b>                   |      |              |               |
| <b>Capital and reserves</b>                     |      |              |               |
| Share capital                                   | 11   | 39,417       | 45,685        |
| Accumulated losses                              |      | (41,173)     | (40,079)      |
| Other reserves                                  |      | 3,287        | 3,287         |
| <b>Total equity shareholder's funds</b>         |      | <b>1,531</b> | <b>8,893</b>  |
| <b>Liabilities</b>                              |      |              |               |
| Creditors - amounts falling due within one year | 10   | -            | -             |
| Trade and other payables                        |      | 631          | 178           |
| Current tax liabilities                         |      | -            | -             |
| Other liabilities                               |      | -            | 12,802        |
| <b>Total liabilities</b>                        |      | <b>631</b>   | <b>12,980</b> |
| <b>Total equity and liabilities</b>             |      | <b>2,162</b> | <b>21,873</b> |

The notes on pages 11 to 26 form an integral part of these financial statements

All the above activities relate to continuing operations.

The financial statements on pages 7 to 26 were approved and authorised by the Directors of the Company on 11/12/18 and were signed on its behalf by Josh Bloomstein.

For the financial year in question the company was entitled to exemption under section 477 of the Companies Act 2006 relating to small companies.

No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

  
Director  
Josh Bloomstein



## European Capital Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2017

### STATEMENT OF COMPREHENSIVE INCOME

|   |      | 01-Jan-17<br>to<br>31-Dec-17<br>'000<br>EUR | 01-Jan-16<br>to<br>31-Dec-16<br>'000<br>EUR |
|---|------|---|---|
|   | Note |   |   |
| Revenue   | 12   | 1,213                                       | 10,945                                      |
| Administrative expenses                                 | 13   | (2,044)                                     | (25,018)                                    |
| <b>Net operating loss</b>                               |      | <b>(831)</b>                                | <b>(14,073)</b>                             |
| Finance income  | 14   | 3   | (4)   |
| Foreign exchange gain                                   | 14   | 108   | (614)                                       |
| Loss on disposal of Fixed assets                        |      | (375)                                       | -   |
| <b>Loss before tax</b>                                  |      | <b>(1,094)</b>                              | <b>(14,691)</b>                             |
| Income tax expense                                      |      | -   | 9   |
| <b>Loss attributable to the Company's equity holder</b> |      | <b>(1,094)</b>                              | <b>(14,682)</b>                             |
| Share-based compensation contribution                   |      | -   | -   |
| <b>Loss and total comprehensive loss for period</b>     |      | <b>(1,094)</b>                              | <b>(14,682)</b>                             |

All above activities relate to continuing operations.

The notes on pages 11 to 26 form an integral part of these financial statements

**European Capital Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2017

**STATEMENT OF CHANGES IN EQUITY**

|  | Share capital<br>'000<br>EUR | Accumulated losses<br>'000<br>EUR | Other reserves<br>'000<br>EUR | Total equity<br>'000<br>EUR |
|--|------------------------------|-----------------------------------|-------------------------------|-----------------------------|
| <b>As at 1 January 2017</b>                    | <b>45,685</b>                | <b>(40,079)</b>                   | <b>3,287</b>                  | <b>8,093</b>                |
| Repayment of share capital                     | (6,268)                      | -                                 | -                             | (6,268)                     |
| Loss and total comprehensive loss for the year | -                            | (1,094)                           | -                             | (1,094)                     |
| <b>Balance as at 31 December 2017</b>          | <b>39,417</b>                | <b>(41,173)</b>                   | <b>3,287</b>                  | <b>1,531</b>                |
| <b>As at 1 January 2016</b>                    | <b>25,058</b>                | <b>(25,397)</b>                   | <b>3,287</b>                  | <b>2,948</b>                |
| Initial issue of share capital                 | 20,627                       | -                                 | -                             | 20,627                      |
| Loss and total comprehensive loss for the year | -                            | (14,682)                          | -                             | (14,682)                    |
| <b>Balance as at 31 December 2016</b>          | <b>45,685</b>                | <b>(40,079)</b>                   | <b>3,287</b>                  | <b>8,893</b>                |

The notes on pages 11 to 26 form an integral part of these financial statements

## European Capital Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2017

### Cash Flow Statement for the year ended 31 December 2017

|  |      | 01-Jan-17<br>to<br>31-Dec-17<br>'000<br>EUR | 01-Jan-16<br>to<br>31-Dec-16<br>'000<br>EUR |
|--|------|---|---|
|  | Note |   |   |
| Cash generated from / (utilised in) operations                             | 18   | (10,675)                                    | (6,913)                                     |
| Income tax (payment)   |      | -   | (1)   |
| <b>Net cash generated from / (utilised in) operating activities</b>        |      | <b>(10,675)</b>                             | <b>(6,914)</b>                              |
| Purchase of property, plant and equipment                                  | 5    | -   | (7)   |
| Purchase of intangible assets  | 6    | -   | -   |
| Interest received  |      | 3   | (4)   |
| <b>Net cash generated from / (used in) investing activities</b>            |      | <b>3</b>                                    | <b>(11)</b>                                 |
| Proceeds from issue of ordinary shares                                     |      | -   | 20,627                                      |
| Cash utilised from cancellation of ordinary shares                         |      | (6,269)                                     | -   |
| <b>Net cash generated from financing activities</b>                        |      | <b>(6,269)</b>                              | <b>20,627</b>                               |
| Net change in cash and cash equivalents                                    |      | (16,941)                                    | 13,702                                      |
| Cash and cash equivalents - unrestricted at the beginning of the year      |      | 18,094                                      | 5,062                                       |
| Foreign exchange gain / (loss) on cash and cash equivalents - unrestricted |      | 98  | (670)                                       |
| <b>Cash and cash equivalents - unrestricted at the end of the year</b>     |      | <b>1,251</b>                                | <b>18,094</b>                               |

All above activities relate to continuing operations.

The notes on pages 11 to 26 form an integral part of these financial statements

## European Capital Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2017

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

#### 1. General information and summary of significant accounting policies

##### General information

European Capital Financial Services Limited ("ECFS" or "the Company") provides Investment advisory services to its immediate parent, European Capital Asset Management Limited ("ECAM"). ECAM is an indirect subsidiary of Ares Capital Corporation ("ARCC"), a US company listed on the NASDAQ stock exchange. The Company operates in Europe and at the reporting date had a branch registered in France.

The Company is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is 25 Bedford Street, London, WC2E 9ES.

The Company is authorised and regulated by the Financial Conduct Authority ("FCA") (formerly the Financial Services Authority ("FSA")) under reference number 447079. Permissions were granted to the Company on 15 March 2006. The French Branch is regulated by Banque de France under reference number 16443 Y.

##### Basis of preparation

The financial statements of the Company have been prepared in accordance with EU Endorsed International Financial Reporting Standards and IFRIC interpretations (together "IFRS") and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Numbers within the financial statements are in thousands, unless otherwise indicated.

##### *(a) New standards, interpretations and amendments not yet effective*

The following new standards, interpretations and amendments, are not yet effective and have not been adopted early in these financial statements. We do not believe they will have a significant impact on the Financial Statements in the future periods.

| New standards                                 | IASB mandatory effective date (EU Mandatory effective date) |
|---|---|
| IFRS 15 Revenue from Contracts with Customers | 01-Jan-18   |
| IFRS 9 Financial Instruments                  | 01-Jan-18   |
| IFRS 16 leases                                | 01-Jan-19   |

## European Capital Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2017

### 1. General information and summary of significant accounting policies (continued)

#### (a) New standards, interpretations and amendments not yet effective (continued)

| Amendments to Existing Standards   | IASB mandatory effective date (EU Mandatory effective date) |
|--|---|
| Annual Improvements to IFRSs (2014-2016 Cycle)   | 01/01/2018  |
| Clarifications to IFRS 15 revenue from Contracts with Customers                              | 01/01/2018  |
| Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4) | 01/01/2018  |
| IFRIC 23 Uncertainty over Income Tax Treatments  | 01/01/2019  |
| Amendments to IFRS 9: Prepayment Features with Negative Compensation                         | 01/01/2019  |
| Amendments to IAS 28: Long term interests in Associates and Joint Ventures                   | 01/01/2019  |
| Annual Improvements to IFRS (2015-2017 Cycle)  | 01/01/2019  |

#### IFRS 9

In July 2014, the IASB issued IFRS 9 Financial Instruments: Recognition and Measurement by publishing the final version of IFRS 9 Financial Instruments. IFRS 9 introduces a new model for classifying financial assets. The standard introduces principle-based requirements for the classification of financial assets, using the following measurement categories: at amortised cost, fair value through OCI and fair value through profit or loss. The standard furthermore provides a new impairment model based on expected credit losses and expands the disclosure requirements and changes in presentation. This final version of IFRS 9 will replace IAS 39 and supersedes all previous versions of IFRS 9 and also IFRIC 9. The new standard is effective for annual reporting periods beginning on or after January 1, 2018, while early application is permitted. The new standard was endorsed on the 22 November 2016.

The Company is currently assessing the impacts of adopting IFRS 9 on the Group's financial statements and has identified the following areas that are likely to be affected:

\* Classification: IFRS 9 introduces a new model for classifying financial assets. The standard introduces principle-based requirements for the classification of financial assets, using the following measurement categories: at amortised cost, fair value through OCI and fair value through profit or loss. We do not expect at this point any significant changes for the Company's financial statements other than presentation and disclosure notes.

\* Disclosures: The expanded disclosure requirements are expected to change the nature and extent of the disclosures about the Company's financial instruments particularly in the year of the adoption of the new standard.

## European Capital Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2017

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### 1. General information and summary of significant accounting policies (continued)

#### *(a) New standards, interpretations and amendments not yet effective (continued)*

The Company does not expect the adoption of the standards, amendments and interpretations that are in issue but not yet effective listed above will have a material impact on the Company's financial statements in future periods. Beyond the information above, it is not practical to provide a reasonable estimate of the effect of these standards until a detailed review has been completed. The Group expects to adopt IFRS 9 starting with its fiscal year 2019, from 1 April 2018 onwards, applying the limited exemption in IFRS 9 para 7.2.15 for the transition.

#### Income

##### *(a) Provision of services*

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Company's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Company.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company provides management services to its immediate parent and related parties. Revenue is recognised in agreement with the contracts in place between the Company and the related parties to whom sales are made. The Company also recharges expenditure incurred which is utilised in providing services to ECFM which includes both personnel costs who are seconded to ECFM and for overheads. The recharged amounts are credited against the respective categories within administration expenses.

##### *(b) Interest income*

The Company has not made any substantial loans and has not placed any substantial sum on deposit. Interest income is recognised on an accruals basis that materially approximates to the effective interest rate method.

#### Foreign currency translation

The results and financial position of the Company are measured in euros. The functional currency of the Company is euros. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the year end. Exchange differences arising from the re-translation of foreign currency denominated assets and liabilities together with other exchange differences arising in the period are included in the Statement of Comprehensive Income.

#### Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS - (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**1. General information and summary of significant accounting policies (continued)**

**Property, plant and equipment (continued)**

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

|                        |              |
|------------------------|--------------|
| Leasehold improvements | 7 - 10 years |
| Computer equipment     | 3 years      |
| Fixtures and fittings  | 7 -10 years  |

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses.

**Intangible assets**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 to 4 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs are amortised over their estimated useful lives of 3 to 4 years.

**Financial assets**

The Company classifies its financial assets as either: fair value through profit or loss; or loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**(a) Financial assets at fair value through profit or loss**

Financial assets held for trading are classified as financial assets at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Financial assets carried at fair value through profit or loss are initially and subsequently recognised at fair value and transaction costs are expensed in the Statement of Comprehensive Income.

**(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the Statement of Position.

The effect of discounting these financial instruments is not considered to be material and loans and receivables are stated gross of any discounting.

**NOTES TO THE FINANCIAL STATEMENTS - (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**1. General information and summary of significant accounting policies (continued)**

**Financial assets (continued)**

**(b) Loans and receivables (continued)**

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income within administrative expenses. When an amount is uncollectible, it is written off within administrative expenses. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the Statement of Comprehensive Income. Loans and receivables are carried at amortised cost.

**(c) Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

**Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**Restricted cash**

Restricted cash includes deposits placed with a major bank to secure bank guarantees in relation to the Spanish authorities regarding the Spanish branch.

**Financial liabilities**

The Company's policy is to classify its financial liabilities into one of two categories, 'fair value through profit or loss' and 'measured at amortised cost' but since inception the Company is yet to classify a financial liability as fair value through profit or loss.

**Trade and other payables**

These are recognised initially at fair value and subsequently measured at amortised cost. Trade and other payables represent amounts owed to third parties, including related parties. They are non-interest bearing and are normally settled within 30 days.

**Share Capital**

Financial instruments issued by the Company are treated as equity only to the extent they do not meet the definition of a financial liability. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds received.

For the purposes of the disclosures given in note 3, the Company considers its capital to comprise of its ordinary share capital, other reserves and accumulated comprehensive loss. No financial liabilities are considered capital and no capital items are considered financial liabilities for capital management purposes. There have been no changes in what the Company considers to be capital since the previous period.



## European Capital Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2017

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### NOTES TO THE FINANCIAL STATEMENTS - (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

#### 1. General information and summary of significant accounting policies (continued)

##### Share Capital (continued)

The Company is subject to externally imposed capital requirements as it is deemed a "BIPRU €50K investment firm" under FCA classifications. The Company ensures that it remains compliant with these requirements as described in note 3.

##### Deferred Tax

Deferred tax has been recognised as a liability or an asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

##### Share-based payments

The Company has made share-based payments to employees in which employees purchased redeemable shares in a fellow subsidiary company within the group of companies headed by the ultimate parent company. All employees were invited to participate in the Long-Term Incentive Plan 1 (LTIP1) in 2010 whereby restricted shares in a fellow subsidiary company, European Capital Limited (ECL), were purchased under the scheme. The difference between the purchase price and the accounting fair value, calculated by reference to the value of ECL and certain of its investments, is accounted for as an equity-settled share based payment and expensed on a straight-line basis over the vesting period.

At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

##### Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the Statement of Comprehensive Income on a straight-line basis over the expected period of the lease.

##### Taxation

The Company is deemed to have a permanent establishment and be subject to corporate income taxes in the UK and the territories that it has branches in. Please see note 2 for further information.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

**NOTES TO THE FINANCIAL STATEMENTS - (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. Critical accounting estimates and judgments**

Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, approximate to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

**Income Taxes**

During the year, the Company was subject to income taxes in four jurisdictions, the UK, France, Germany and Spain, although the Spanish and German branches are effectively dormant. Judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company fully recognises tax-related liabilities based on estimates made at the end of the reporting period about whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**3. Financial risk management**

In common with other businesses, the Company is exposed to risks that arise from its use of financial instruments. The Company's activities expose it to a variety of financial risks, such as market risk (including currency risk and price risk), credit risk and liquidity risk. The Company's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The principal financial instruments and financial assets from which financial risk arises are:

- trade and other receivables
- restricted and unrestricted cash at bank
- trade and other payables

**NOTES TO THE FINANCIAL STATEMENTS - (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**3. Financial risk management (continued)**

**(a) Foreign exchange risk**

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and pounds Sterling. Foreign exchange risk may arise from future commercial transactions and recognised assets and liabilities.

Other foreign exchange risks affecting the Company are due to the Company purchasing services and assets in currencies other than euros. These services and assets are predominately denominated in pounds Sterling but a reasonably possible movement in the exchange rate at balance sheet date would not have a material effect on the Company's profit after tax.

**(b) Price risk**

The Company is not exposed to any price risk as it does not hold any financial instruments that are traded on an active market and there for subject to fluctuations in prices.

**(c) Credit risk**

The Company has one major customer, its immediate parent ECAM. The Company has not mitigated its credit risk with this customer; however, as the customer is the immediate parent, the directors do not believe that this exposure causes significant concern for the Company. The Company has other credit risk associated with its cash and cash equivalents. All deposits and accounts are held with major banks and therefore this risk is considered minimal. The Company's banker has a Moody's credit rating of Aa3 (2016: Aa3).

The Company's maximum exposure to credit risk, by class of financial instrument, is shown in the table below:

|  | Carrying value | 2017<br>Maximum<br>exposure | Carrying value | 2016<br>Maximum exposure |
|--|----------------|-----------------------------|----------------|--------------------------|
|  | €' 000         | €' 000                      | €' 000         | €' 000                   |
| Trade receivables:                                   |                |                             |                |                          |
| Immediate parent company                             | -              | -                           | 1,654          | 1,654                    |
| Third parties  | 111            | 111                         | 148            | 148                      |
| Other debtors and prepayments                        | 46             | 46                          | 352            | 352                      |
| Total trade receivables                              | 157            | 157                         | 2,154          | 2,154                    |
| Deferred cost due from entities under common control | 748.64         | 748.64                      | 1,178.00       | 1,178.00                 |
| Cash and cash equivalents                            |                |                             |                |                          |
| Held for operating purposes                          | 1,254          | 1,254                       | 18,094         | 18,094                   |
|  | 1,254          | 1,254                       | 18,094         | 18,094                   |
| Maximum credit risk exposures                        | 2,160          | 2,160                       | 21,426         | 21,426                   |

None of the above amounts have been discounted due to the short term nature of the receivables. Any discounting would be immaterial

**NOTES TO THE FINANCIAL STATEMENTS - (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**3. Financial risk management (continued)**

**(d) Cash flow and fair value interest rate risk**

The Company has no significant interest-bearing liabilities and although cash balances do attract interest income the Group's income and operating cash flows are substantially independent of changes in market interest rates.

**(e) Fair value estimation**

The carrying values less impairment provisions of trade receivables and payables are considered to approximate their fair values due to the short-term nature of trade receivables.

**(f) Liquidity risk**

The Company aims to mitigate liquidity risk in various ways, including maintaining high levels of liquid resources, reviewing contingency funding arrangements and incorporating tight credit control processes.

The Company monitors expected cash flows for future periods. Excess cash identified in managing liquidity is invested in financial instruments exposed to insignificant risk of changes in market value, being placed on interest-bearing deposit with maturities that will allow the Company to meet its expected future cash needs. Restricted cash is held separately in bank deposits, allowing the Company to manage its commitment independently from the operating cash flow management. As the Company is regulated by the FCA, liquidity requirements are imposed on the Company to which it adheres.

The Company has one major customer, ECAM, which is the Company's parent. Cash due on invoices is paid to the Company on a monthly basis.

**Capital resources**

The Company considers its overall capital to comprise of its ordinary share capital, other reserves less accumulated comprehensive loss. No financial liabilities are considered capital.

In managing its capital, the Company's primary objective is to ensure its ability to provide a consistent return for its equity shareholder through distributions and the possible orderly unwinding of its business if this were to happen. In order to achieve this, the Company has established a capital adequacy assessment process, whereby the Company reviews the total risks that face the Company and considers an appropriate amount of capital that should be held to meet these risks.

**4. Auditor remuneration**

|                | Year ended<br>31 December 2017<br>€' 000 | Year ended<br>31 December 2016<br>€' 000 |
|----------------|--|--|
| Audit services | -  | 49                                       |

**European Capital Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2017

**NOTES TO THE FINANCIAL STATEMENTS - (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017****5. Property, plant and equipment**

|                            | Leasehold<br>improvements<br>€' 000 | Computer<br>equipment<br>€' 000 | Office<br>equipment<br>€' 000 | Total<br>€' 000 |
|----------------------------|-------------------------------------|---------------------------------|-------------------------------|-----------------|
| <b>Cost</b>                |                                     |                                 |                               |                 |
| At 1 January 2017          | 1,759                               | 27                              | 643                           | 2,429           |
| Additions                  | -                                   | -                               | -                             | -               |
| Disposals                  | (546)                               | (27)                            | (134)                         | (707)           |
| <b>At 31 December 2017</b> | <b>1,213</b>                        | <b>-</b>                        | <b>509</b>                    | <b>1,722</b>    |
| <b>Depreciation</b>        |                                     |                                 |                               |                 |
| At 1 January 2017          | (1,435)                             | (27)                            | (593)                         | (2,055)         |
| Charge of the year         | (26)                                | -                               | (4)                           | (30)            |
| Disposals                  | 248                                 | 27                              | 88                            | 363             |
| <b>At 31 December 2017</b> | <b>(1,213)</b>                      | <b>-</b>                        | <b>(509)</b>                  | <b>(1,722)</b>  |
| <b>Net book value</b>      |                                     |                                 |                               |                 |
| At 31 December 2017        | <b>0</b>                            | <b>-</b>                        | <b>(0)</b>                    | <b>(0)</b>      |
| At 1 January 2017          | <b>324</b>                          | <b>-</b>                        | <b>50</b>                     | <b>374</b>      |

Depreciation expense is charged to administrative expenses. A review of the useful economic life of property, plant and equipment was performed in 2016. In 2017, all the property, plant and equipment were sold.

**6. Intangible Assets**

|                            | Computer Software<br>€' 000 |
|----------------------------|-----------------------------|
| <b>Cost</b>                |                             |
| At 1 January 2017          | 382                         |
| Additions                  | -                           |
| Disposals                  | (30)                        |
| <b>At 31 December 2017</b> | <b>352</b>                  |
| <b>Depreciation</b>        |                             |
| At 1 January 2017          | (339)                       |
| Charge of the year         | (13)                        |
| Disposals                  | -                           |
| <b>At 31 December 2016</b> | <b>(352)</b>                |
| <b>Net book value</b>      |                             |
| At 31 December 2017        | <b>(0)</b>                  |
| At 1 January 2017          | <b>43</b>                   |

Amortisation of intangible assets is charged to administrative expenses.

**European Capital Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2017

**NOTES TO THE FINANCIAL STATEMENTS - (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017****7. Trade and other receivables**

|                                       | Year ended<br>31 December 2017<br>€' 000 | Year ended<br>31 December 2016<br>€' 000 |
|---------------------------------------|--|--|
| Trade debtors                         | 111                                      | 148                                      |
| Due from immediate parent undertaking | -  | 1,654                                    |
| VAT receivable                        | 46                                       | 30                                       |
| Other debtors                         | 3  | 112                                      |
| Prepayments                           | -  | 240                                      |
|                                       | <u>160</u>                               | <u>2,184</u>                             |

Trade debtors are non-interest bearing and generally receivable on receipt of invoice.

**8. Amounts due from entities under common control**

|   | Year ended<br>31 December 2017<br>€' 000 | Year ended<br>31 December 2016<br>€' 000 |
|---|--|--|
| Due from European Capital Private Debt LP       | 7  | 276                                      |
| Due from European Capital UK SME Debt LP        | -  | 64                                       |
| Due from European Capital Private Equity 1 SCSP | -  | 52                                       |
| Due from European Capital Debt Management Ltd   | 742                                      | 786                                      |
|   | <u>749</u>                               | <u>1,178</u>                             |

All amounts due from entities under common control are interest free, unsecured, and repayable on demand.

**9. Cash and Cash equivalents**

|                   | Year ended<br>31 December 2017<br>€' 000 | Year ended<br>31 December 2016<br>€' 000 |
|-------------------|--|--|
| Unrestricted cash | <u>1,254</u>                             | <u>18,094</u>                            |

## European Capital Financial Services Limited

Annual Report and Financial Statements for the year ended 31 December 2017

### NOTES TO THE FINANCIAL STATEMENTS - (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

#### 10. Creditors - amounts falling due within one year

|                                    | Year ended<br>31 December 2017<br>€' 000 | Year ended<br>31 December 2016<br>€' 000 |
|------------------------------------|--|--|
| Trade and other payables           | 29                                       | 178                                      |
| Tax payables                       | -  | -  |
| Other taxation and social security | 568                                      | 1,402                                    |
| Accruals                           | -  | 11,260                                   |
| Deferred income                    | 34                                       | 140                                      |
|                                    | <b>631</b>                               | <b>12,980</b>                            |

As at 31 December 2017, Other taxation and social security included €568 (2015: €1,402) in relation to bonus and provision for severance pay.

#### 11. Share capital

|                            | Year ended<br>31 December 2017 |                      | Year ended<br>31 December 2016 |                   |
|----------------------------|--------------------------------|----------------------|--------------------------------|-------------------|
|                            | Number                         | €                    | Number                         | €                 |
| <b>Authorised</b>          |                                |                      |                                |                   |
| Ordinary shares of £1 each | 36,900,000                     |                      | 20,000,000                     |                   |
| <b>Issued</b>              |                                |                      |                                |                   |
| At beginning of the year   | 36,900,000                     | 45,685,242           | 20,000,000                     | 25,058,187        |
| Additions                  | -                              | -                    | 15,900,000                     | 20,627,055        |
| Reduction                  | (5,500,000)                    | (6,268,568)          | -                              | -                 |
| <b>At 31 December 2017</b> | <b>31,400,000</b>              | <b>39,416,674.27</b> | <b>36,900,000</b>              | <b>45,685,242</b> |

Holders of the Company's ordinary shares have no restrictions over their rights to the distribution of capital or over receipt of dividends. All shares have equal voting rights.

#### 12. Revenue

Revenue and the profit on ordinary activities before taxation are wholly attributable to the Company's principal activity. All revenue has been generated within Europe.

#### 13. Administrative expenses

|  | Year ended<br>31 December 2017<br>€' 000 | Year ended<br>31 December 2016<br>€' 000 |
|--|--|--|
| <b>Administrative expenses is composed as follow</b> |  |  |
| Depreciation of tangible assets                      | 30                                       | 109                                      |
| Amortisation of intangible assets                    | 13                                       | 41                                       |
| Provision for doubtful receivables                   | 545                                      | 298                                      |
| Staff costs excluding directors' costs               | 1,296                                    | 21,375                                   |
| Directors' costs                                     | (296)                                    | 290                                      |
| Operating lease charges                              | 456                                      | 635                                      |

**European Capital Financial Services Limited**Annual Report and Financial Statements for the year ended 31 December 2017

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**NOTES TO THE FINANCIAL STATEMENTS - (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017****14. Finance income and expenses**

|                          | Year ended<br>31 December 2017<br>€' 000 | Year ended<br>31 December 2016<br>€' 000 |
|--------------------------|--|--|
| Bank interest income     | 3  | (4)                                      |
| Net finance income       | <u>3</u>                                 | <u>(4)</u>                               |
| Gain on foreign exchange | 108                                      | (614)                                    |
| Total finance income     | <u>112</u>                               | <u>(618)</u>                             |

**15. Staff costs**

| Staff costs excluding directors | Year ended<br>31 December 2017<br>€' 000 | Year ended<br>31 December 2016<br>€' 000 |
|---------------------------------|--|--|
| Wages and salaries              | 1,672                                    | 7,399                                    |
| Severance                       | (941)                                    | 11,779                                   |
| Social security costs           | 268                                      | 2,197                                    |
|                                 | <u>1,000</u>                             | <u>21,375</u>                            |



**NOTES TO THE FINANCIAL STATEMENTS - (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**16. Share-based compensation**

The figures in this note are not in thousands.

The Company has the following share-based compensation arrangements:

**Long Term Incentive Plans**

Long Term Incentive Plan 1 (LTIP1) scheme was launched in 2010 whereby employees purchased restricted shares in ECL. These shares vest over five years, with one fifth of the shares vesting each year and the grant date back dated to 1 January 2009. Vested shares are redeemed at each anniversary date by ECL with the redemption price being calculated by reference to the realisations on certain investments held by ECL and its subsidiaries.

During the year there were no shares purchased by employees under this scheme (2015: no shares). The weighted average fair value of the shares at grant date was €1.45 which was calculated using the investment value of the shares at the grant date. The investment value being the present value of the shares based on the relevant underlying investments within ECL and its subsidiaries with discounts applied for equity risk, liquidity risk, credit risk, minority interests, lack of marketability, a forfeiture rate and the total offset by the payments made by employees for the shares. There are no adjustments for dividends as these are not dividend earning shares.

As the LTIP1 shares were fully vested in 2014, there was no expense recognised arising from equity-settled share-based payment transactions during the year (2014: €nil).

The Long Term Incentive Plan 2 (LTIP2) was launched in 2012 whereby certain employees purchased 300,000 restricted shares in ECL. These shares vest over five years, with one fifth of the shares vesting each year and the grant date was 1 January 2012. Vested shares are redeemed at each anniversary date by ECL with the redemption price being calculated by reference to the aggregate return of investments made after 1 January 2012.

The Company has not recognised an equity-settled share based payment in respect of LTIP2 as the payments made by employees for the restricted shares equated to the accounting fair value at grant date.

**17. Taxation on profit on ordinary activities**

| (a) Analysis of tax charge   | Group & Company                |                                |
|--|--------------------------------|--------------------------------|
|  | Year ended<br>31 December 2017 | Year ended<br>31 December 2016 |
|  | €' 000                         | €' 000                         |
| <b>United Kingdom</b>  |                                |                                |
| Corporation Tax on chargeable profit at domestic rate of 20% (2016: 20%) | -                              | -                              |
| Utilisation of tax losses brought forward                                | -                              | -                              |
| Total current tax  | -                              | -                              |
| Prior year tax (credit)/ charge  | -                              | (9)                            |
| Reversal of deferred tax asset   | -                              | -                              |
| <b>Tax charge on profit on ordinary activities</b>                       | <b>-</b>                       | <b>(9)</b>                     |

**European Capital Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2017

**NOTES TO THE FINANCIAL STATEMENTS - (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017****17. Taxation on profit on ordinary activities (continued)**

| (b) Factors affecting the tax charge                              | Group & Company                          |  |
|---|--|--|
|   | Year ended<br>31 December 2017<br>€' 000 | Year ended<br>31 December 2016<br>€' 000 |
| Profit on ordinary activities before tax                          | -  | -  |
| Tax charge on profit on ordinary activities at 20%<br>(2016: 20%) | -  | -  |
| Utilisation of losses brought forward                             | -  | -  |
| Prior year tax (credit)/ charge                                   | -  | (9)                                      |
| Reversal of deferred tax asset                                    | -  | -  |
| <b>Tax charge on profit on ordinary activities</b>                | <b>-</b>                                 | <b>9</b>                                 |

The Company has tax losses of €29,507 (2016: €15,364) that are available for offsetting against future taxable profits. The Company does not recognise a deferred tax asset for these losses due to a high level of uncertainty over the timing and extent that these losses might be utilised.

**18. Cash generated from operations**

|                                       | Year ended<br>31 December 2017<br>€' 000 | Year ended<br>31 December 2016<br>€' 000 |
|---------------------------------------|--|--|
| (Loss)/Profit before tax              | (1,094)                                  | (14,691)                                 |
| Adjustment for:                       |  |  |
| Depreciation of tangible assets       | 30                                       | 109                                      |
| Amortisation of intangibles           | 13                                       | 41                                       |
| Provision for doubtful receivables    | 545                                      | 298                                      |
| Finance income - net                  | 3  | (4)                                      |
| Foreign exchange movements            | 108                                      | 663                                      |
| Changes in working capital            |  |  |
| Trade and other receivables           | 2,024                                    | 166                                      |
| Trade and other payables              | (12,305)                                 | 6,505                                    |
| <b>Cash generated from operations</b> | <b>(10,675)</b>                          | <b>(6,913)</b>                           |

**19. Financial commitments**

At 31 December 2017 the Company had the following future aggregate minimum lease payments under non-cancellable operating leases:

| Leasehold offices                                | Year ended<br>31 December 2017<br>€' 000 | Year ended<br>31 December 2016<br>€' 000 |
|--|--|--|
| No later than one year                           | 443                                      | 882                                      |
| Later than one year and no later than five years | 868                                      | 2,124                                    |
|  | <b>1,311</b>                             | <b>3,006</b>                             |

**NOTES TO THE FINANCIAL STATEMENTS - (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**20. Significant leases**

During the year, the Company occupied leased office accommodation in the UK and France. The UK offices had rent free periods at commencement of the lease, which have been recognised on the balance sheet and are being amortised over the expected life of the lease.

The London office lease was renewed in September 2015 for 5 years.

The French lease runs until September 2019 and has no rent review; however, the cost of the lease is indexed in October of each year, according to the quarterly index on construction cost published by the National Institute for Statistics and Economic Studies.

The Company had the following onerous operating lease provision reported within Creditors – amounts falling due within one year at balance sheet date:

|                              | 2017<br>€' 000 | 2016<br>€' 000 |
|------------------------------|----------------|----------------|
| At the beginning of the year | -              | -              |
| Utilised during the year     | -              | -              |
| Discount rate adjustment     | -              | -              |
| At the end of the year       | -              | -              |

**21. Related party transactions**

The following transactions were carried out with related parties:

**Provision of services**

During 2017 and 2016 services were provided to the immediate parent company. Fees receivable from the immediate parent company are agreed from time to time.

| Key management compensation  | 2017<br>€' 000 | 2016<br>€' 000 |
|------------------------------|----------------|----------------|
| Short-term employee benefits | -              | 969            |
| Termination costs            | -              | 872            |
|                              | -              | 1,841          |

The directors believe that there are no key management apart from the directors and company secretary. During 2017, there was no charge to administrative expenses (2016: €nil) due to director participating in the Long Term Incentive Plan schemes.

**European Capital Financial Services Limited**

Annual Report and Financial Statements for the year ended 31 December 2017

**NOTES TO THE FINANCIAL STATEMENTS - (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2017****21. Related party transactions (continued)****Revenue, administrative expenses and year end balances with related parties**

|                               | Revenue | Admin<br>expenses * | 2017<br>Payable at<br>year end | Receivable at year end |
|-------------------------------|---------|---------------------|--------------------------------|------------------------|
|                               | €' 000  | €' 000              | €' 000                         | €' 000                 |
| Ultimate parent               | -       | -                   | -                              | -                      |
| Immediate parent              | -       | -                   | 11                             | -                      |
| Entities under common control | -       | -                   | -                              | 749                    |

\* The revenue and expenses of ECFM until change of control were €2,577,609 and €3,101,955 respectively. From May 2018, ECFM was no longer under common control.

|                               | Revenue | Admin<br>expenses * | 2016<br>Payable at<br>year end | Receivable at year end |
|-------------------------------|---------|---------------------|--------------------------------|------------------------|
|                               | €' 000  | €' 000              | €' 000                         | €' 000                 |
| Ultimate parent               | -       | 225                 | 102                            | 0                      |
| Immediate parent              | 6,351   | -                   | -                              | 1,654                  |
| Entities under common control | 2,001   | (1,780)             | -                              | 1,178                  |

\* A credit to administrative expenses is recognised for employment costs of personnel seconded to ECFM in addition to associated back office expenditure.

**22. Events after the reporting period**

There are no material events, other than those already disclosed in the financial statements (refer Directors report) that occurred after the balance sheet date.

**23. Immediate and ultimate parent and controlling parties**

The immediate parent and smallest group that the Company is part of is European Capital Asset Management Limited, a company registered in Guernsey. Since January 3, 2017, the ultimate parent and controlling party is Ares Capital Corporation ("ARCC"). Prior to this date, the ultimate parent and controlling party was American Capital Ltd. ("ACAS"), a Company registered in the United States of America. The combined company is managed by Ares Capital Management LLC.

American Capital Asset Management, LLC ("ACAM"), a wholly owned portfolio company of ACAS, merged with Ivy Hill Asset Management, L.P. ("IHAM"), a wholly owned portfolio company of Ares Capital and consequently ARCC became the ultimate parent and controlling party.

Copies of these accounts may be obtained from

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