

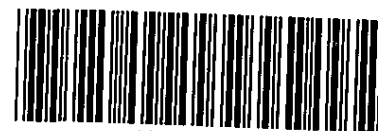
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Rothmann & Cie TEP UK 2 Limited

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

Year ended 31 December 2013

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Rothmann & Cie. TEP UK 2 Limited

Annual Report and Audited Financial Statements

Year ended 31 December 2013

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Rothmann & Cie. TEP UK 2 Limited

Company Information

Directors

David Brown
GFS Corporate Director (appointed 27 November 2013)
Anthony C Norris (resigned 27 November 2013)
Richard Cooney (resigned 27 November 2013)

Secretary and registered office

David Brown
Suite A, 4th Floor
South Tower
Tubs Hill House
London Road
Sevenoaks
Kent TN13 1BL

Company number

05684476

Auditors

Kinetic Partners Audit LLP
One London Wall, Level 10
London
EC2Y 5HB

Rothmann & Cie. TEP UK 2 Limited

Report of the directors for the year ended 31 December 2013

The Directors present their report and financial statements of Rothmann & Cie TEP UK 2 Limited ("the Company") for the year ended 31 December 2013

Results and dividends

The profit and loss account on page 7 shows a profit after tax of £12,183 (2012 £3,851)

The directors recommended the payment of a dividend for the year of £2,950 (2012 £4,750)

Principal activities

The Company's principal activity is to act as the General Partner to Rothmann & Cie TEP UK 2 Limited Partnership

Rothmann & Cie TEP UK 2 Limited Partnership has on-going business activities involving the holding of endowment life policies for trading purposes and the Company's role as its General Partner is expected to continue. In addition, the Company has sufficient liquid resources and the Directors have a reasonable expectation that the Company has adequate resources to meet its liabilities as they fall due for the foreseeable future. Therefore these financial statements have been prepared on a going concern basis.

Directors

The Directors of the Company during the year were

David Brown

GFS Corporate Services Limited (appointed 27 November 2013)

Anthony C Norris (resigned 27 November 2013)

Richard Cooney (resigned 27 November)

Auditors

The auditors, Kinetic Partners Audit LLP have indicated their willingness to continue in office and a resolution to reappoint them will be proposed at the next annual general meeting.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

By order of the Board



David Brown

Secretary

Date

2nd May 2014

Statement of Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the 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 financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

Independent auditor's report to the shareholder of Rothmann & Cie. TEP UK 2 Limited

We have audited the financial statements of Rothmann and Cie. TEP UK 2 Limited ("the Company") for the year ended 31 December 2013, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the Company's shareholder, 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 shareholder 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 shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report to the shareholder of Rothmann and Cie. TEP UK 2 Limited (continued)

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the Company's affairs as at 31 December 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit or
- the Directors were not entitled to prepare financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' report.

Deborah Weston

Deborah Weston (Senior statutory auditor)

For and on behalf of Kinetic Partners Audit LLP, Statutory Auditor

One London Wall, Level 10

London

EC2Y 5HB

5 June 2014



Rothmann & Cie. TEP UK 2 Limited**Profit and loss account for the year ended 31 December 2013**

		2013	2012
	Note	£	£
Turnover	1	68,350	67,640
Administrative expenses		<u>(52,477)</u>	<u>(62,543)</u>
Operating profit	2	<u>15,873</u>	<u>5,097</u>
Interest receivable		<u>-</u>	<u>3</u>
Profit on ordinary activities before taxation		15,873	5,100
Taxation	4	<u>(3,690)</u>	<u>(1,249)</u>
Profit on ordinary activities after taxation		<u>12,183</u>	<u>3,851</u>

All amounts relate to continuing activities

All recognised gains and losses in the current and prior year are included in the profit and loss account

The notes on pages 9 to 12 form part of these financial statements


Rothmann & Cie. TEP UK 2 Limited**Profit and loss account for the year ended 31 December 2013**

		Year ended 31 December 2013		Year ended 31 December 2012	
	Note	£	£	£	£
Fixed assets					
Investments	5		10		10
Current assets					
Debtors	6	-		5,520	
Cash at bank		61,609		53,535	
Creditors: amounts falling within one year	7	(3,690)		(10,369)	
Net current assets			57,919		48,686
Net assets			57,929		48,696
Capital and reserves					
Called up share capital	8		1		1
Profit and loss account	9		57,928		48,695
Equity shareholder's funds			57,929		48,696

The financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved by the Board on

29th May 2014



David Brown
Director

The notes on pages 9 to 12 form part of these financial statements

I Accounting policies**I.1 Basis of preparation**

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008). The following principal accounting policies have been applied:

I.2 Consolidated financial statements

The Company has a subsidiary, Rothmann & Cie TEP UK 2 Limited Partnership but is exempt under section 383 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the group it heads qualifies as a small Group. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

I.3 Turnover

Turnover represents fees receivable in respect of the Company's principal activity as General Partner to Rothmann & Cie TEP UK 2 Limited Partnership.

Fees receivable are recognised in accordance with the Company's contractual entitlement to income over time.

I.4 Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

I.5 Going Concern

Rothmann & Cie TEP UK 2 Limited Partnership has on-going business activities involving the holding of endowment life policies for trading purposes and the Company's role as its General Partner is expected to continue. In addition, the Company has sufficient liquid resources and the Directors have a reasonable expectation that the company has adequate resources to meet its liabilities for the foreseeable future. Therefore these financial statements have been prepared on a going concern basis.

2 Operating profit

	2013	2012
	£	£
The net profit for the year is stated after charging		
Auditors' remuneration		
Audit services	-	3,300
Non-audit services-tax compliance	-	4,300

Audit services are provided by Kinetic Partners Audit LLP and non-audit services by Kinetic Partners LLP, a related party of Kinetic Partners Audit LLP. The audit and tax fees for the Company have been borne by the Partnership for the year ended 31 December 2013.

3 Directors' remuneration

No remuneration was paid to the directors for their services to the Company (2012 nil)

4 Taxation on profit on ordinary activities

	2013	2012
	£	£
UK Corporation tax		
Current tax on profits for the year	3,690	1,249
	<u>3,690</u>	<u>1,249</u>
Reconciliation of current tax charge for the period		
Profit on ordinary activities before taxation	15,873	5,100
	<u>15,873</u>	<u>5,100</u>
Profit on ordinary activities at the standard rate of Corporation tax in the UK of 23% (2012 24%)	3,651	1,224
	<u>3,651</u>	<u>1,224</u>
Effect of:		
Difference in corporation tax rate	39	25
	<u>39</u>	<u>25</u>
Current tax charge for the year	3,690	1,249
	<u>3,690</u>	<u>1,249</u>

5 Investments

	2013	2012
	£	£
Investments in Group Undertaking	10	10
	<u>10</u>	<u>10</u>

The investment represents less than 0.001% of the partners' capital in Rothmann & Cie TEP UK 2 Limited Partnership, whose principal place of business is Suite A, 4th Floor, South Tower, Tubs Hill House, Sevenoaks, Kent TN13 1BL. As its General Partner, the Company controls the Partnership and it is a subsidiary. The Partnership reported a profit for the financial year ended 31 December 2013 of £980 (2012 £64,241), and the balances on the partners' accounts at that date were £7,722,790 (2012 £8,388,343).

6 Debtors: amounts falling due within one year

	2013 £	2012 £
Amounts due from parent undertaking	-	5,520

7 Creditors: amounts falling due within one year

	2013 £	2012 £
Other creditors	3,690	1,249
Accruals	-	9,120
	<u>3,690</u>	<u>10,369</u>

8 Share capital

	Authorised		Allotted, Called up and Fully Paid	
	2013	2012	2013	2012
Ordinary shares of £1 each	100,000	100,000	1	1

9 Reconciliation of shareholder's funds and movement on reserves

	Share Capital £	Profit & Loss £	Total £
As at the 1 January 2013	1	48,695	48,696
Profit for the year	-	12,183	12,183
Dividends paid (note 10)	-	(2,950)	(2,950)
As at 31 December 2013	<u>1</u>	<u>57,928</u>	<u>57,929</u>

10 Ultimate parent company

At 31 December 2013 the Company's immediate and ultimate parent company was Rothmann Trustfonds UK 2 Verwaltung GmbH, whose registered office is Gorch-Fock-Wall 3, 20354 Hamburg, Germany

A dividend of £2,950 was paid to the parent company during the year (2012 £4,750).

11 Related party disclosures

In the year, the Company provided General Partner services to Rothmann & Cie TEP UK 2 Limited Partnership, a Partnership in which the Company has a controlling interest. The value of the services provided in the year was £68,350 (2012 £67,640). The Company also reimbursed third party service provider fees incurred by Rothmann & Cie TEP UK 2 Limited Partnership of £52,477 (2012 £53,200).

At the year end, £nil (2012 £5,520) was due from Rothmann & Cie TEP UK 2 Limited Partnership.

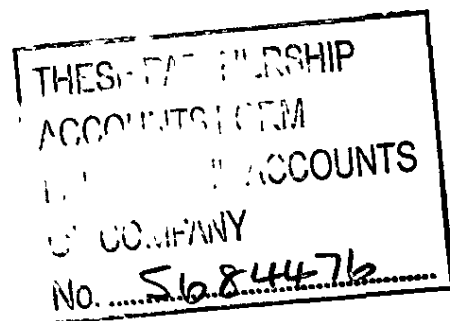
Mr AC Norris is also a Director of Gallium Fund Solutions Limited. Gallium Fund Solutions Limited is manager to Rothmann & Cie TEP UK 2 Limited Partnership.

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Rothmann & Cie TEP UK 2 Limited Partnership

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS

Year ended 31 December 2013



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11/06/2014
COMPANIES HOUSE

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**Rothmann & Cie. TEP UK 2 Limited
Partnership**

Annual Report and Audited Financial Statements

Year ended 31 December 2013

Rothmann & Cie. TEP UK 2 Limited Partnership

Report and financial statements for the year ended 31 December 2013

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Rothmann & Cie. TEP UK 2 Limited Partnership

General Partner's Report

Rothmann & Cie TEP UK 2 Limited, as the General Partner, presents its report and financial statements of Rothmann & Cie TEP UK 2 Limited Partnership ("the Partnership") for the year ended 31 December 2013

Business review and future developments

In the year ended 31 December 2013 the Partnership continued the holding of UK endowment life policies for trading purposes. The results for the year are shown in the profit and loss account on page 6

The Partnership made a profit for the year of £980 (2012 £64,241)

The balance sheet as detailed on page 8 shows a satisfactory position. Net assets amount to £7,722,790 (2012 £8,388,343)

The Partnership funds the acquisition of UK endowment life policies held for trading by way of bank loans and overdrafts which are secured on the policies. Funding arrangements are with UniCredit AG, with secured credit facilities until 30 June 2015

In addition, the Partnership is funded by capital contributions in accordance with the Limited Partnership agreement dated 25 April 2006

The Partnership has sufficient liquid resources and current asset investments which are endowment life policies included at surrender value. The Partnership's borrowing is not repayable until 2015

It is expected that the Partnership will continue its trading activities and be able to meet its liabilities as they fall due for the foreseeable future. Accordingly the General Partner considers it appropriate to prepare the financial statements on a going concern basis

Advisors

During the year ended 31 December 2013, Gallium Fund Solutions Limited continued to act as Manager to the Partnership

General Partner's responsibilities

The General Partner is responsible for ensuring that an annual report and financial statements are prepared in accordance with the Limited Partnership Agreement and The Partnerships (Accounts) Regulations 2008 and United Kingdom Generally Accepted Accounting Practice

In accordance with the above requirements the General Partner will prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that year. In preparing those financial statements, the General Partner is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards 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 Partnership will continue in business

Independent auditor's report to the partners of Rothmann & Cie. TEP UK 2 Limited Partnership (continued)

Opinion on financial statements

In our opinion the financial statements.

- give a true and fair view of the state of the Partnership's affairs as at 31 December 2013 and of its 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 as applied by the Partnerships (Accounts) Regulations 2008

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- we have not received all the information and explanations we require for our audit.

Kinetic Partners Audit LLP

Deborah Weston (Senior statutory auditor)

For and on behalf of Kinetic Partners Audit LLP, Statutory Auditor

One London Wall, Level 10

London

EC2Y 5HB

5 June 2014



Rothmann & Cie. TEP UK 2 Limited Partnership**Profit and loss account for the year ended 31 December 2013**

	Note	Year ended 31 December 2013		Year ended 31 December 2012	
		£	£	£	£
Turnover	1		6,772,116		3,785,384
Cost of policies matured or sold		(6,083,456)		(3,656,905)	
Movement in unrealised (loss)/gain on policies held at fair value		(204,661)		568,192	
Cost of sales			(6,288,117)		(3,088,713)
Gross profit			483,999		696,671
Less expenses					
General administrative expenses		259,606		284,926	
Legal and professional costs		5,720		23,540	
Interest		217,704		323,948	
Other finance charges		(11)		16	
			(483,019)		(632,430)
Net profit for the year	2		980		64,241

All recognised gains and losses in the current and prior years are included in the profit and loss account

All amounts relate to continuing activities

The notes on pages 10 to 16 form part of these financial statements

Rothmann & Cie. TEP UK 2 Limited Partnership**Appropriation account for the year ended 31 December 2013**

	Year ended 31 December 2013		Year ended 31 December 2012	
	Profit	Profit Share	Profit	Profit share
	%	£	%	£
Rothmann & Cie TEP UK 2 Limited	0 00006	-	0 00006	1
Rothmann & Cie Trustfonds UK 2 GmbH & Co KG	99 99994	980	99 99994	64,240
	100	980	100	64,241

The notes on pages 10 to 16 form part of these financial statements

Rothmann & Cie. TEP UK 2 Limited Partnership

Balance sheet as at 31 December 2013

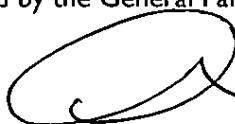
		Year ended 31 December 2013		Year ended 31 December 2012	
	Note	£	£	£	£
Current assets					
Financial assets held for trading	1	14,542,485		14,391,976	
Cash at bank		<u>1,719,813</u>		<u>557,310</u>	
		16,262,298		14,949,286	
Creditors due within one year	3	<u>(8,539,508)</u>		<u>(6,560,943)</u>	
Net current assets			<u>7,722,790</u>		<u>8,388,343</u>
Total assets less current liabilities			<u>7,722,790</u>		<u>8,388,343</u>
Represented by					
Partners' Accounts					
Partners' Current Accounts	4	(8,665,133)		(7,999,580)	
Partners' Capital Accounts	5	16,387,923		16,387,923	
			<u>7,722,790</u>		<u>8,388,343</u>

The financial statements were approved by the General Partner on

29th May 2014



ANTHONY NORRIS



DAVID BROWN

On behalf of Rothmann & Cie TEP UK 2 Limited

The notes on pages 10 to 16 form part of these financial statements

Rothmann & Cie. TEP UK 2 Limited Partnership

Cash flow statement as at 31 December 2013

		Year ended 31 December 2013	Year ended 31 December 2012
	<i>Notes</i>	£	£
Net cash (outflow)/ inflow from operating activities	8 (a)	(170,964)	2,646,057
Transactions with Partners	8 (b)	(666,533)	(666,844)
(Decrease)/increase in net cash	8 (c)	<u>(837,497)</u>	<u>1,979,213</u>

Reconciliation of net cash flow to movement in net debt

	Year ended 31 December 2013	Year ended 31 December 2012
	£	£
(Decrease)/increase in net cash	<u>(837,497)</u>	<u>1,979,213</u>
Change in net debt resulting from cash flows	(837,497)	1,979,213
Net debt brought forward	<u>(5,942,690)</u>	<u>(7,921,903)</u>
Net debt carried forward	<u>(6,780,187)</u>	<u>(5,942,690)</u>

I Accounting policies

I.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 as applied by the Partnership (Accounts) Regulations 2008 and applicable United Kingdom Generally Accepted Accounting Practice

I.2 Going concern

The General Partner considers that the Partnership will continue its trading activities for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis

I.3 Financial assets held for trading

The Partnership's financial assets held for trading represent endowment life policies. These policies are held at fair value through profit or loss. The policies are valued at their surrender value at the year-end date. The surrender value of the policies is based on valuations provided by the underlying life offices.

I.4 Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

I.5 Turnover

Turnover represents sales and maturities of endowment policies to outside customers.

2 Net profit for the year

	2013	2012
	£	£

The net profit for the year is stated after charging

Auditor's remuneration

Audit services	14,300	11,000
Non-audit services-tax compliance	7,600	4,300

2013 audit and non-audit services include audit and tax fees for the Limited entity as they are being borne by the Partnership for the year ended 31 December 2013. Audit services were provided by Kinetic Partners Audit LLP and non-audit services were provided by Kinetic Partners LLP, a related party of Kinetic Partners Audit LLP.

Rothmann & Cie. TEP UK 2 Limited Partnership**Notes to the financial statements for the year ended 31 December 2013 (continued)****3 Creditors due within one year**

	2013 £	2012 £
Bank loans and overdrafts	8,500,000	6,500,000
Intercompany	-	5,520
Accruals and deferred income	39,508	55,423
	<u>8,539,508</u>	<u>6,560,943</u>

Funding arrangements are secured with Uni Credit AG and the bank loan facility will be in operation until 30 June 2015. The Partnership paid interest charges of £217,704 (2012 £323,948) on the loans during the year ended 31 December 2013. Interest payable amounted to £778 (2012 £1,786) at year end.

4 Partners' current accounts

	Rothmann & Cie. TEP UK 2 Limited £	Rothmann & Cie. Trustfonds UK 2 GmbH & Co KG £	Total £
Share of loss at 1 January 2013	<u>(5)</u>	<u>(7,999,575)</u>	<u>(7,999,580)</u>
Share of profit for the year	-	980	980
Drawings	<u>-</u>	<u>(666,533)</u>	<u>(666,533)</u>
Movements in the financial year		<u>(665,553)</u>	<u>(665,533)</u>
At 31 December 2013	<u>(5)</u>	<u>(8,665,128)</u>	<u>(8,665,133)</u>

Rothmann & Cie. TEP UK 2 Limited Partnership

Notes to the financial statements for the year ended 31 December 2013 (continued)

5 Partners' capital accounts

	Rothmann & Cie. TEP UK 2 Limited £	Rothmann & Cie. Trustfonds UK 2 GmbH & Co KG £	Total £
Capital at 1 January 2013	10	16,387,913	16,387,923
Capital introduced in the year	-	-	-
At 31 December 2013	10	16,387,913	16,387,923

6 Related party disclosures

The Partnership is controlled by its General Partner Rothmann & Cie TEP UK 2 Limited and the Partnership's ultimate parent company is Rothmann Trustfonds UK 2 Verwaltung GmbH

During the year ended 31 December 2013, the Partnership incurred fees payable to Rothmann & Cie TEP UK 2 Limited of £68,350 (2012 £67,640) in respect of its services as General Partner, and also received a reimbursement of third-party operational fees of £54,269 (2012 £53,199) from the General Partner. At 31 December 2013 the Partnership owed £nil (2012: £5,520) to the General Partner.

Mr David Brown and GFS Corporate Director Limited are directors of the General Partner. Mr Anthony Norris is also a Director of the General Partner up until the 27 November 2013 and of Gallium Fund Solutions Limited. The Partnership incurred fees payable to Gallium Fund Solutions Limited in respect of manager and operator services of £43,867, including VAT (2012: £42,922).

7 Financial risk management

Trading Stocks

The investments held in traded endowment life policies represent the estimated fair value of endowment life policies, being the surrender value as notified by the underlying life offices. The risks that attach to these trading stocks include market risk, credit risk and liquidity risk. As the value is based on inputs other than quoted prices, the traded endowment policies fall within the level 2 classification under FRS 26.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The fair value of endowment life policies held by the Partnership is stated at the surrender value of these policies as at the year end. The surrender values are sourced from the respective life houses. These valuations are monitored by the administrator to the Partnership, qualified actuaries and the General Partner to the Partnership on a six monthly basis.

7 Financial risk management (continued)

The Partnership measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as active market data) or indirectly (that is, derived from active market data) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety

The determination of what constitutes 'observable' and assessing the significance of a particular input to the fair value measurement in its entirety requires significant judgement by the General Partner considering factors specific to the asset or liability. The Partnership considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The following table analyses within the fair value hierarchy the Partnership's financial assets and liabilities (by level) measured at fair value

As at 31 December 2013

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets				
Financial assets held for trading				
Endowment life policies	-	14,542,485	-	14,542,485
Cash	1,719,813	-	-	1,719,813
Total	1,719,813	14,542,485	-	16,262,298

As at 31 December 2012

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets				
Financial assets held for trading				
Endowment life policies	-	14,391,976	-	14,391,976
Cash	557,310	-	-	557,310
Total	557,310	14,391,976	-	14,949,286

7 Financial Risk Management (continued)

Credit risk

Credit risk is the risk that one party to financial asset will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty and issuer risk which arises from each life house as issuer of each endowment policy held by the Partnership. This is monitored by the General Partner in consultation with the administrator to the Partnership and qualified actuaries, with the review performed on a six monthly basis.

Market risk

The surrender values of the underlying endowment policies are sourced from the issuing life houses. These valuations are in part dependent on the market performance and credit ratings of each associated life house. This is monitored by the General Partner in consultation with the administrator to the Partnership and qualified actuaries, with the review performed on a six monthly basis.

Liquidity risk

The Partnership holds investments in endowment life policies, each having a range of maturity dates. A risk arises that the Partnership may not be able to meet its loan repayments depending on the cash flow on the sale and maturity on underlying endowment policy investments. This is monitored by the General Partner in consultation with the administrator to the Partnership and qualified actuaries, with the review performed on a six monthly basis. The Partnership has a loan agreement in place with UniCredit AG as at the year-end which secures credit facilities until 30 June 2015. The maximum loan facility available to the Partnership under this agreement is £11,000,000.

Maturity analysis of financial assets held for trading

As at 31 December 2013

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial assets at fair value through profit or loss:					
Financial assets held for trading	515,365	2,193,801	7,853,526	3,979,793	14,542,485

As at 31 December 2012

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial assets at fair value through profit or loss:					
Financial assets held for trading	1,596,515	4,811,454	7,377,981	606,626	14,391,976

7 Financial Risk Management (continued)

Overall risk

The General Partner's review of the market, credit and liquidity risks on a six monthly basis aims to ensure the Partnership's sustainability

Market risk sensitivity analysis

A 10% decline in the valuation of trading stocks held by the Limited Partnership would give rise to a loss of £1,454,248 or 18.8% of the equity of the Partnership

8 Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Operating profit	980	64,241
(Decrease)/increase in creditors	(21,435)	23,631
(Increase)/decrease in financial assets held for trading	(150,509)	2,558,185
Net cash (outflow)/inflow from operating activities	(170,964)	2,646,057

(b) Analysis of cash flows for headings netted in the cash flow statement

	Year ended 31 December 2013 £	Year ended 31 December 2012 £
Transactions with Partners:		
Drawings taken by Partners	(666,533)	(666,844)
Total	(666,533)	(666,844)

8 Notes to the cash flow statement (continued)

(c) Analysis of changes in net funds

	At 1 January 2013 £	Cash flows £	At 31 December 2013 £
Cash in hand	557,310	1,162,503	1,719,813
Loan	<u>(6,500,000)</u>	<u>(2,000,000)</u>	<u>(8,500,000)</u>
Total	<u>(5,942,690)</u>	<u>(837,497)</u>	<u>(6,780,187)</u>