
RB REFS ORIGINATION LIMITED

Annual Report and Unaudited Financial Statements

for the year ended 31 December 2018

Registration Number: 09000516

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RB REFS ORIGINATION LIMITED**Registered in England and Wales No.: 09000516**

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RB REFS ORIGINATION LIMITED**Registered in England and Wales No.: 09000516**

Directors', Officers and other information

| | | |
|-----------------|------------|---------------------------|
| Director | D Caplan | (appointed 14 March 2018) |
| | T Dowd | |
| | D Gray | (resigned 14 March 2018) |
| | D Nicholls | |

| | | |
|--------------------------|------------|------------------------------|
| Company secretary | C Mike-Eze | (appointed 28 February 2018) |
|--------------------------|------------|------------------------------|

| | | |
|---------------------------|---|-------------------------|
| *Registered Office | 8 Finsbury Circus, London, EC2M 7GB United Kingdom | (from 11 February 2019) |
|---------------------------|---|-------------------------|

| | | |
|----------------------------|---|-------------------------|
| *Investment Manager | GAM International Management Limited 8 Finsbury Circus, London, EC2M 7GB United Kingdom | (from 11 February 2019) |
|----------------------------|---|-------------------------|

| | |
|-----------------------|--|
| Company Number | Registered in England and Wales No: 09000516 |
|-----------------------|--|

* Prior to 11 February 2019, the address of the Registered Office and Investment Manager was 20 King Street, London SW1Y 6QY, United Kingdom.

RB REFS ORIGINATION LIMITED

Registered in England and Wales No.: 09000516

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and unaudited financial statements for RB REFS Origination Limited (the 'Company') for the year ended 31 December 2018.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

D Caplan
T Dowd
D Nicholls

The Directors have the benefit of a qualifying third party indemnity provision in accordance with the Companies Act 2006.

Incorporation

The Company was incorporated on 16 April 2014, and is registered as a private company in England and Wales under the Companies Act 2006. The Company's registered number is 09000516.

Registered Office

The Company's registered office is 8 Finsbury Circus, London, EC2M 7GB, United Kingdom. This came into effect on 11 February 2019.

Principal Activities

The principal activity of the Company is to originate and syndicate long term loans backed by real estate assets with commercial borrowers. As the origination and syndication of the senior tranches of the long term loans are not always simultaneous, the Company may be committed to holding the senior tranches of these investments in the short term. The Company transfers the junior tranches to its Parent Limited Partnership which holds the loans in accordance with the Group's investment objective.

Financial Risk Management

The key risks and uncertainties faced by the Company are managed within the framework established by the Investment Managers. Exposure to credit risk, interest rate risk and foreign exchange risk arise in the normal course of the Company's business. These risks are discussed, and supplementary qualitative and quantitative information is provided in note 4 to the financial statements.

Key Performance Indicators

In the year, the total value of loans originated by the Company was £nil (2017: £nil). The Company syndicated loans with a value of £nil (2017: £nil) and transferred loans with a carrying value of £nil (2017: £5,133,739). Through the process of loan syndication and transfer the Company made a profit of £nil (2017: £33,314).

Results and Review of Business

The Company's profit after tax for the year ended 31 December 2018 was £16,466 (2017: profit £62,052). Dividends amounting to £nil were paid during the year (2017: £150,000).

Future Developments

The Company remains committed to the business of originating and syndicating long term loans back by real estate assets with commercial borrowers.

Strategic Report

A strategic report has not been included in these unaudited financial statements as the Company qualifies for exemption as a small entity under Section 382 of the Companies Act 2006 relating to small companies.

Employees

The Company has no employees during the year (2017: nil).

RB REFS ORIGATION LIMITED

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DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Subsequent Events

Subsequent events have been evaluated up to the date the financial statements were approved and authorised for issue by the Directors and there are no material events to be disclosed or adjusted for in these financial statements.

Going Concern

It is the intention of the Directors to liquidate the Company in the next 12 months and therefore the Company is no longer considered to be a going concern. Accordingly, these financial statements have been prepared on a basis other than that of going concern.

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 period. Under that law, the Directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRS"). 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:

- i) select suitable accounting policies and apply them consistently;
- ii) make judgements and estimates that are reasonable and prudent;
- iii) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- iv) provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions; and
- v) make an assessment for the Company's ability to continue as a going concern.

The Directors are responsible for keeping accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors 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 they have complied with the above requirements through the year and subsequently.

In preparing their report, the Directors have taken advantage of the exemption for small companies in accordance with Section 415(A) of the Companies Act 2006.

By order of the Board on 27 June 2019

Director

Darren Nicholls
Director

Darren Nicholls
Director

RB REFS ORIGINATION LIMITED

Registered in England and Wales No.: 09000516

STATEMENT OF FINANCIAL POSITION**AS AT 31 DECEMBER 2018**

| | Notes | 2018 £ | 2017 £ |
|--|-------|------------------|------------------|
| CURRENT ASSETS | | | |
| Investments | | | |
| Loans and receivables - Debt instruments | 5 | 1,961,417 | 1,937,427 |
| Receivables and prepayments | 6 | 60,472 | 50,950 |
| Cash and cash equivalents | 7 | 62,236 | 54,389 |
| TOTAL CURRENT ASSETS | | 2,084,125 | 2,042,766 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Borrowings | 8 | 1,932,017 | 1,910,826 |
| Other payables | 9 | 87,735 | 65,743 |
| Current tax liabilities | | 5,805 | 24,095 |
| TOTAL LIABILITIES | | 2,025,557 | 2,000,664 |
| EQUITY | | | |
| Called up share capital | 10 | 20 | 20 |
| Retained earnings | | 58,548 | 42,082 |
| TOTAL EQUITY | | 58,568 | 42,102 |
| TOTAL EQUITY AND LIABILITIES | | 2,084,125 | 2,042,766 |

For the year ending 31 December 2018 the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The sole member has not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the International Financial Reporting Standards ("IFRS").

The financial statements on pages 5 to 23 were approved and authorised for issue by the Directors on 27 June 2019 and were signed on its behalf by:

Director



Darren Nicholls
Director

RB REFS ORIGINATION LIMITED

Registered in England and Wales No.: 09000516

STATEMENT OF COMPREHENSIVE INCOME**FOR THE YEAR ENDED 31 DECEMBER 2018**

| | Notes | 2018 £ | 2017 £ |
|--|-------|-----------------|------------------|
| REVENUE | | | |
| Investment income: | | | |
| Loan interest income | | 221,677 | 625,097 |
| Agency fee income | | 960 | 2,867 |
| Arrangement fee income | | 2,447 | 52,835 |
| Other income | | 28,388 | 96,012 |
| Deposit interest income | | 8 | 4 |
| Net gain on disposal of loan investments | | - | 33,314 |
| TOTAL REVENUE | | 253,480 | 810,129 |
| EXPENSES | | | |
| Legal and professional fees | | (13,552) | (22,040) |
| Loan administration fees | | (685) | (9,950) |
| Sundry expenses | | 326 | (504) |
| Bank charges | | (540) | (1,710) |
| Net gain/(loss) on foreign exchange | | 733 | (72,275) |
| TOTAL EXPENSES | | (13,718) | (106,479) |
| OPERATING PROFIT FOR THE YEAR | | 239,762 | 703,650 |
| FINANCE COSTS | | | |
| Credit facility interest expense | | (218,356) | (616,512) |
| PROFIT BEFORE TAX FOR THE YEAR | | 21,406 | 87,138 |
| Tax expense | 11 | (4,940) | (25,086) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 16,466 | 62,052 |

The profit for the year is derived from continuing activities.

There is no other comprehensive income for the year.

RB REFS ORIGINATION LIMITEDRegistered in England and Wales No.: 09000516

STATEMENT OF CHANGES IN EQUITY**AS AT 31 DECEMBER 2018**

| | Called up share capital | Retained earnings | Total equity |
|---|------------------------------------|------------------------------|---------------------|
| | £ | £ | £ |
| Balance as at 1 January 2017 | 20 | 130,030 | 130,050 |
| Total comprehensive income for the year | - | 62,052 | 62,052 |
| Interim dividends | - | (150,000) | (150,000) |
| Balance as at 31 December 2017 | 20 | 42,082 | 42,102 |
| Total comprehensive income for the year | - | 16,466 | 16,466 |
| Interim dividends | - | - | - |
| Balance as at 31 December 2018 | 20 | 58,548 | 58,568 |

RB REFS ORIGINATION LIMITED
Registered in England and Wales No.: 09000516
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 £ | 2017 £ |
|---|-------|-----------------|---------------------|
| Cash flows from operating activities | | | |
| Total comprehensive income for the year | | 16,466 | 62,052 |
| Adjustment for: | | | |
| Loan interest income | | (221,677) | (625,097) |
| Arrangement fee income | | (2,447) | (52,835) |
| Loan interest expense | | 218,356 | 616,512 |
| Tax expense | | 4,940 | 25,086 |
| Net foreign currency (loss)/gain | | (733) | 72,275 |
| Total cash flows from operating activities after adjustments | | 14,905 | 97,993 |
| Loan amounts transferred, syndicated and repaid | 5 | - | 9,417,423 |
| Decrease in other receivables | 6 | - | 1,007 |
| Decrease in other payables | 9 | (1,819) | (94,544) |
| Cash used in operations | | 13,086 | 9,421,879 |
| Loan interest income received | | 60,472 | 760,932 |
| Tax paid | | - | (69,053) |
| Net cash flows from operating activities | | 73,558 | 10,113,758 |
| Cash flows from financing activities | | | |
| Repayment of borrowings | 8 | - | (9,333,046) |
| Loan interest paid | | (59,932) | (760,205) |
| Dividends paid | | - | (150,000) |
| Net cash flows used in financing activities | | (59,932) | (10,243,251) |
| Net increase/(decrease) in cash and cash equivalents before currency adjustment | | 13,626 | (129,493) |
| Effect of exchange rates on cash and cash equivalents | | (5,779) | 16,467 |
| Net increase/(decrease) in cash and cash equivalents for the year | | 7,847 | (113,026) |
| Cash and cash equivalents at beginning of the year | | 54,389 | 167,415 |
| Cash and cash equivalents at end of the year | 7 | 62,236 | 54,389 |

RB REFS ORIGATION LIMITED

Registered in England and Wales No.: 09000516

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

RB REFS Origination Limited (the 'Company') is a company domiciled in the UK. Its registered office is at 8 Finsbury Circus, London EC2M 7GB.

The financial statements of the Company comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows together with the related notes.

The principal activity of the Company is to originate and syndicate long term loans backed by real estate assets with commercial borrowers. As the origination and syndication of the senior tranches of the long term loans are not simultaneous, the Company may be committed to holding the senior tranches of these investments in the short term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the current year and prior year presented unless otherwise stated.

Basis of preparation

The financial statements of the Company have been prepared in accordance with The Companies Act 2006 as applicable to companies using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as adopted by the European Union (EU IFRS). The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in accordance with EU IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

It is the intention of the Directors to liquidate the company in the next 12 months and therefore the company is no longer considered to be a going concern. Accordingly, the financial statements have been prepared on a basis other than that of a going concern.

New standards and amendments adopted by the Company

There are new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2018.

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

RB REFS ORIGINATION LIMITED

Registered in England and Wales No.: 09000516

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New standards and amendments adopted by the Company, continued

IFRS 9 further introduced changes to the classification and measurement rules and a new impairment model. The changes introduce:

- a third measurement category (FVOCI) for certain financial assets that are debt instruments
- an expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes.

The stage dictates how a company measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, companies will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

Loans and Receivables continue to be valued at amortised cost under the new IFRS 9 model and the Company has assessed the impact the expected credit loss (ECL) impairment model has on the carrying values of the Loan and and Receivables. The implementation of IFRS 9 has had no effect on the carrying value of the Loans and Receivables and the consolidated financial statements have been prepared in line with the prior year accounting policies.

IFRS 15 Revenue from Contracts with Customers - IFRS 15 was issued in May 2014 and establishes a new five step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which a company expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all companies and will supersede all previous revenue recognition requirements under IFRS. The standard is effective for annual periods beginning on or after 1 January 2018. The Company has assessed the income streams disclosed in the consolidated financial statements and have concluded that no change is required to be made in the recognition methodology of income as they were in line with the new standards recommendations in the prior year.

All other new standards and amendments have no material bearing on the operating activities and disclosures of the Company, and consequently have not been listed.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2018 that would be expected to have a material impact on the Company.

New standards and amendments issued but not yet effective for the financial year beginning 1 January 2019 and not early adopted by the Company

The Company has made an assessment of the impact of applicable new standards and amendments that are either not yet permitted to be adopted, or are not yet mandatory and have not yet been adopted by the Company. In the Company's opinion, the pronouncements which are in issue are not effective or early adoption by the Company will not have a material impact on the financial statements of the Company.

Loans and Receivables

Loans and receivables are non-derivative financial assets or determinable payments that are not quoted in an active market, other than:

- i) those that the Company intends to sell immediately or in the short-term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; or
- ii) those that the Company upon initial recognition designates as available for sale; or
- iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest rate method. Interest on loans is included in the Statement of Comprehensive Income and is reported as loan interest income. In the case of an impairment, the impairment loss is reported in the Statement of Comprehensive Income as a deduction from the carrying value of the loan. If in a subsequent period, there is objective evidence that the Company will be able to collect all debt securities, the impairment to loans and receivables is reversed through the Statement of Comprehensive Income.

RB REFS ORIGINATION LIMITED

Registered in England and Wales No.: 09000516

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Impairment

For financial assets measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Comprehensive Income

Receivables and prepayments

Receivables are initially recognised at fair value and measured subsequently at amortised cost using effective interest rate method. Prepayments are assets paid in advance and amortised over the relevant period.

Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash comprises cash in hand and demand deposits while cash equivalents are short term, highly liquid investments that are readily convertible to amounts of cash with a maturity of three months or less and which are subject to insignificant changes in value.

Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised. The effective interest rate amortisation is included as a finance cost within credit facility interest in the Statement of Comprehensive Income.

Other payables

Other Payables are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method. Other Payables are derecognised when the obligation under the liability is discharged or cancelled or expires.

Loan Interest Income

Loan interest income is recognised using the effective interest rate method and other income is recognised on an accruals basis.

Loan arrangement fees

Direct loan arrangement fees paid or received will be recognised using the effective interest rate method under loans advanced and amortised over the lifetime of the related financial asset through income from loans advanced in the Statement of Comprehensive Income.

Expense recognition

Expenses are recognised on an accruals basis.

Foreign currencies

(a) Functional and Presentational currency

The performance of the Company is measured and reported to the shareholders in Pound Sterling. The Directors consider the Pound Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Pound Sterling, which is the Company's functional and presentational currency.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Foreign currencies, continued

(b) Transactions and balances

Foreign currency transactions that are denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the date of the relevant transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation, at year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments or qualifying net investment hedging instruments.

All foreign exchange gains and losses recognised in the Statement of Comprehensive Income are presented net within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

Taxation

The Company is subject to tax on its taxable income on the basis of the tax laws enacted or substantively enacted at the period end date. It is recognised as an expense for the period except to the extent that such current tax is charged or credited in other comprehensive income or to equity. Where the Company has tax losses that can be relieved against a tax liability for a previous year, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against any existing current tax balance.

Where tax losses can be relieved only by being carried forward and applied against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the Statement of Financial Position.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Most notably this includes the appropriateness of amortised cost approach to valuation of the loans and receivables.

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

4. FINANCIAL RISK MANAGEMENT

Although the Directors are ultimately responsible for all the matters of the Company through a chain of delegations the Investment Manager has been given responsibility for risk management.

The Company is exposed to a number of risks arising from the financial instruments that it holds such as: credit risk, market risk (including syndication risk), interest rate risk and foreign exchange risk.

Management of financial and non-financial risks

i) Credit risk

Credit risk is the risk of defaults and subsequent losses, principally on loans (however structured) and other Portfolio Investments, but also defaults by other counterparties including defaults by hedging counterparties, those to whom collateral is transferred in connection with hedging or other transactions, those with or through whom cash deposits are placed and those with whom repurchase or other title-transfer arrangements are entered. A significant driver of credit risk is property value.

Credit risk is to be managed by having regard to the Investment Guidelines, through due diligence coordinated by the Investment Manager in connection with Portfolio Investments, the structuring of appropriate security packages and covenant packages (potentially including the setting of covenants in respect of mezzanine loans that would breach earlier than the senior lender's), and appropriate choices of law and jurisdiction in agreements relating to Portfolio Investments. Loans are secured on underlying real estate assets. Structural downside protection and appropriate gearing levels will further mitigate credit risk.

RB REFS ORIGINATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

4. FINANCIAL RISK MANAGEMENT, CONTINUED

The maximum exposure to credit risk as at 31 December 2018 and 31 December 2017 is the carrying amount of the financial assets set out below, it does not include any collateral or other credit risk enhancer, which reduce the Company's exposure.

| | 31-Dec-18 | 31-Dec-17 |
|-----------------------------|------------------|------------------|
| | £ | £ |
| Loans and receivables | 1,961,417 | 1,937,427 |
| Receivables and prepayments | 60,472 | 50,950 |
| Cash and cash equivalents | 62,236 | 54,389 |
| | <u>2,084,125</u> | <u>2,042,766</u> |

The Company provides loans to portfolio companies, which are represented as loans and receivables. The credit quality of these investments is based on the financial performance of the individual borrowers and are mitigated with various covenants in the loan agreements and ultimately secured upon the underlying real estate asset.

As at 31 December 2018 the balance of loans and receivables consisted of one loan that was past due. The maturity date of the loan was 10 April 2018 however the loan continues to meet its payment obligations and has not been impaired. As at 31 December 2017 none of the assets held by the Company were past due or impaired.

Cash and cash equivalents are principally on deposit with ABN Amro Bank which has a short term credit ratings of A-1 according to Standard and Poor's valuation for 2018.

In accordance with the Company's policy, the Investment Manager monitors the company's credit risk exposure, the performance of the loans against the covenants and other key measures each quarter.

ii) Market risk

Syndication risk

If spreads widen in the market when the Company has originated whole loans that are pending syndication, the Company may be unable to syndicate at the levels initially expected, presenting risks to performance, greater concentration risk than anticipated and potential interest rate risk.

As at 31 December 2018 and 31 December 2017 the Company held no loans which were awaiting syndication.

Currency risk

Foreign exchange risk arises on loans denominated in currencies other than pounds sterling. The Investment Manager mitigates these risks through foreign exchange hedging.

RB REFS ORIGATION LIMITED**Registered in England and Wales No.: 09000516****NOTES TO THE FINANCIAL STATEMENTS, CONTINUED****4. FINANCIAL RISK MANAGEMENT, CONTINUED**

ii) Market risk - (continued)

Currency risk - (continued)

The following table summarises the Company's financial assets and liabilities categorised by their functional currencies:

| Concentration of assets and liabilities as at 31 December 2018 | Pound Sterling | Euros | Total |
|---|-----------------------|------------------|------------------|
| | £ | £ | £ |
| Financial Assets | | | |
| Loans and receivables | - | 1,961,417 | 1,961,417 |
| Receivables and prepayments | | 60,472 | 60,472 |
| Cash and cash equivalents | 3,723 | 58,513 | 62,236 |
| Total financial assets | 3,723 | 2,080,402 | 2,084,125 |
| Financial Liabilities | | | |
| Borrowings | - | 1,932,017 | 1,932,017 |
| Other payables | 83,644 | 3,731 | 87,735 |
| Total financial liabilities | 83,644 | 1,935,748 | 2,019,752 |
| Total net assets | (79,921) | 144,654 | 64,373 |
| Concentration of assets and liabilities as at 31 December 2017 | Pound Sterling | Euros | Total |
| | £ | £ | £ |
| Financial Assets | | | |
| Loans and receivables | - | 1,937,427 | 1,937,427 |
| Receivables and prepayments | | 50,950 | 50,950 |
| Cash and cash equivalents | 5,568 | 48,821 | 54,389 |
| Total financial assets | 5,568 | 2,037,198 | 2,042,766 |
| Financial Liabilities | | | |
| Borrowings | - | 1,910,826 | 1,910,826 |
| Other payables | 26,078 | 39,665 | 65,743 |
| Total financial liabilities | 26,078 | 1,950,491 | 1,976,569 |
| Total net assets | (20,510) | 86,707 | 66,197 |

The Investment Manager considers the effect of foreign exchange risk to be immaterial to the net equity position of the Company.

As at 31 December 2018, had the exchange rate between the euro and the pound sterling increased or decreased by 5% with all variables held constant, the increase or decrease respectively in net asset attributable to Partners would amount to approximately £7,233 (2017: £4,335).

The tables above exclude current tax liabilities as these are legal liabilities as opposed to financial liabilities.

RB REFS ORIGINATION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

4. FINANCIAL RISK MANAGEMENT, CONTINUED

ii) Market risk - (continued)

Interest rate risk

The Company intends to originate fixed and floating rate loans, but generally intends to hold to maturity fixed rate loans only.

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on fair value of financial assets and liabilities and future cash flows. The Company originates loans with fixed and variable interest rates. When floating loans are originated, the primary risk is that the Company's cash flows will be subject to variation depending upon changes to base interest rates. The portfolio's cash flows are continually monitored and re-forecasted both over the near future and the long-term to analyse the cash flow returned from investments.

If interest rates had been higher / lower by 50 basis points the profit on real estate loans would have increased / decreased by £nil (2017: £nil). If base interest rates had been higher / lower by 50 basis points on the Interest Bearing Loan then profit before tax would have decreased / increased by £nil (2017: £nil). The Company considers that 50 basis points is a reasonable exposure to a decrease or increase in interest rates that could occur in the foreseeable future, although unlikely.

In accordance with the Company's policy, the Investment Manager monitors the Company's overall interest sensitivity on a quarterly basis.

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
4. FINANCIAL RISK MANAGEMENT, CONTINUED

ii) Market risk - (continued)

Interest rate risk - (continued)

The following table analyses the interest rate composition of the Company's net assets categorised by maturity or expected transfer date:

| | No Maturity | Up to 1 year | 1 to 5 years | Over 5 years | Non-interest bearing | Total |
|------------------------------------|--------------------|---------------------|---------------------|---------------------|-----------------------------|------------------|
| | £ | £ | £ | £ | £ | £ |
| 31 December 2018 | | | | | | |
| Financial Assets | | | | | | |
| Loans - fixed rate | - | 1,961,417 | - | - | - | 1,961,417 |
| Receivables and prepayments | - | - | - | - | 60,472 | 60,472 |
| Cash and cash equivalents | 62,236 | - | - | - | - | 62,236 |
| Total financial assets | 62,236 | 1,961,417 | - | - | 60,472 | 2,084,125 |
| Financial liabilities | | | | | | |
| Borrowings - fixed rate | - | 1,932,017 | - | - | - | 1,932,017 |
| Other payables | - | - | - | - | 87,735 | 87,735 |
| Total financial liabilities | - | 1,932,017 | - | - | 87,735 | 2,019,752 |
| Total equity | 62,236 | 29,400 | - | - | (27,263) | 64,373 |
| | No Maturity | Up to 1 year | 1 to 5 years | Over 5 years | Non-interest bearing | Total |
| | £ | £ | £ | £ | £ | £ |
| 31 December 2017 | | | | | | |
| Financial Assets | | | | | | |
| Loans - fixed rate | - | 1,937,427 | - | - | - | 1,937,427 |
| Receivables and prepayments | - | - | - | - | 50,950 | 50,950 |
| Cash and cash equivalents | 54,389 | - | - | - | - | 54,389 |
| Total financial assets | 54,389 | 1,937,427 | - | - | 50,950 | 2,042,766 |
| Financial liabilities | | | | | | |
| Borrowings - fixed rate | - | 1,910,826 | - | - | - | 1,910,826 |
| Other payables | - | - | - | - | 65,743 | 65,743 |
| Total financial liabilities | - | 1,910,826 | - | - | 65,743 | 1,976,569 |
| Total equity | 54,389 | 26,601 | - | - | (14,793) | 66,198 |

The table's above exclude current tax liabilities as these are legal liabilities as opposed to financial liabilities.

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED
4. FINANCIAL RISK MANAGEMENT, CONTINUED
iii) Liquidity risk

Liquidity risk is the risk of the Company's inability to honour its obligations (other than to Limited Partners), due to cash flow, such as with respect to significant margin calls related to hedging transactions or an inability to repay short-term borrowings used to finance one or more loans. It also includes the risk that a borrower (or underlying borrower) is unable to re-finance a Portfolio Investment at maturity, and the risk that, due to cash flow issues, a borrower (or underlying borrower) is unable to make an interest or other payment relevant to a Portfolio Investment.

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

| | On demand and less than 1 month | From 1 to 12 months | 1 to 5 years | Over 5 years | Total |
|------------------------------------|---------------------------------------|------------------------|--------------|--------------|------------------|
| | £ | £ | £ | £ | £ |
| 31 December 2018 | | | | | |
| Financial assets | | | | | |
| Loans and receivables | - | 1,961,417 | - | - | 1,961,417 |
| Receivables and prepayments | - | 60,472 | - | - | 60,472 |
| Cash and cash equivalents | 62,236 | - | - | - | 62,236 |
| Total financial assets | 62,236 | 2,021,889 | - | - | 2,084,125 |
| Financial liabilities | | | | | |
| Borrowings | 1,932,017 | - | - | - | 1,932,017 |
| Other payables | - | 87,735 | - | - | 87,735 |
| Total financial liabilities | 1,932,017 | 87,735 | - | - | 2,019,752 |
| 31 December 2017 | | | | | |
| Financial assets | | | | | |
| Loans and receivables | - | 1,937,427 | - | - | 1,937,427 |
| Receivables and prepayments | - | 50,950 | - | - | 50,950 |
| Cash and cash equivalents | 54,389 | - | - | - | 54,389 |
| Total financial assets | 54,389 | 1,988,377 | - | - | 2,042,766 |
| Financial liabilities | | | | | |
| Borrowings | 1,910,826 | - | - | - | 1,910,826 |
| Other payables | - | 65,743 | - | - | 65,743 |
| Total financial liabilities | 1,910,826 | 65,743 | - | - | 1,976,569 |

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**4. FINANCIAL RISK MANAGEMENT, CONTINUED***iv) Fair value hierarchy*

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values. 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. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, then that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. To assess the significance of a particular input to the entire measurement, the General Partner performs sensitivity analysis or stress testing techniques.

Level 1 – where the fair value is determined directly from prices which are quoted in active markets and where the instrument observed in the market is representative of that being priced in the Company's portfolio.

Level 2 – where fair value is determined using market standard valuation techniques using observable market data input, such as counterparty prices.

Level 3 – where the fair value is determined using valuation techniques that use market data which is not directly observable, where the fair value cannot be determined directly by reference to market-observable information, and some other pricing technique must be employed. Instruments classified in this category have an element which is unobservable and which has a significant impact on the fair value. The Investment Manager's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement and considers factors specific to the derivative financial instruments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Investment Manager's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the derivative financial instruments.

Transfers between levels of the fair value hierarchy are recorded as if they took place at the beginning of the reporting period. There were no changes in valuation technique during the reporting period.

Fair valuation of unquoted derivative financial instruments is the key source of estimation uncertainty at the date of the Statement of Financial Position that has a significant risk of causing a material adjustment in the carrying value of derivative financial instruments.

Assets and liabilities not carried at fair value but for which fair values is disclosed.

The table below analyses, within the fair value hierarchy, the Company's fixed assets and liabilities not measured at fair value as at the reporting date but for which fair value is disclosed.

The Loans and receivables' fair value is based on a discounted cash flow model with discount rates based on the best estimate of the Investment Manager.

| 31 December 2018 | Level 1 | Level 2 | Level 3 | Total fair value |
|------------------------------|---------|---------|-----------|------------------|
| | £ | £ | £ | £ |
| Financial assets | | | | |
| Loans and receivables | - | - | 2,029,749 | 2,029,749 |
| Receivables and prepayments | - | 60,472 | - | 60,472 |
| Cash and cash equivalents | - | 62,236 | - | 62,236 |
| | - | 122,708 | 2,029,749 | 2,152,457 |
| Financial liabilities | | | | |
| Borrowings | - | - | 1,932,017 | 1,932,017 |
| Other payables | - | 87,735 | - | 87,735 |
| | - | 87,735 | 1,932,017 | 2,019,752 |

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**4. FINANCIAL RISK MANAGEMENT, CONTINUED**

| 31 December 2017 | Level 1 | Level 2 | Level 3 | Total fair value |
|------------------------------|----------------|----------------|----------------|-------------------------|
| | £ | £ | £ | £ |
| Financial assets | | | | |
| Loans and receivables | - | - | 2,025,985 | 2,025,985 |
| Receivables and prepayments | - | 50,950 | - | 50,950 |
| Cash and cash equivalents | - | 54,389 | - | 54,389 |
| | - | 105,339 | 2,025,985 | 2,131,324 |
| Financial liabilities | | | | |
| Borrowings | - | - | 1,910,826 | 1,910,826 |
| Other payables | - | 65,743 | - | 65,743 |
| | - | 65,743 | 1,910,826 | 1,976,569 |

The financial assets and liabilities included in the table above are carried at amortised cost and their carrying values are a reasonable approximation of fair value.

Capital risk management

The capital of the Company is represented by the net assets attributable to its shareholder. The amount of net assets attributable to the shareholder may change as the Company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Company.

The Directors and Investment Manager monitor capital on the basis of the value of the net assets attributable to the shareholder.

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**5. LOANS AND RECEIVABLES - CURRENT**

| | 31-Dec-18 | 31-Dec-17 |
|--|------------------|------------------|
| | £ | £ |
| Loans and receivables at amortised cost | | |
| Debt instruments | 1,961,417 | 1,937,427 |
| Movement in loans and receivables | | |
| At start of year | 1,937,427 | 11,013,847 |
| Loan amounts transferred | - | (5,199,401) |
| Loan repayments/amortisation | - | (4,218,022) |
| Capitalised arrangement fees released | 2,447 | 52,835 |
| FX Revaluation | 21,543 | 288,168 |
| | 1,961,417 | 1,937,427 |

6. RECEIVABLES AND PREPAYMENTS

| | 31-Dec-18 | 31-Dec-17 |
|--|------------------|------------------|
| | £ | £ |
| Interest receivable on loans and receivables | 60,252 | 50,729 |
| Agency fee receivable | 220 | 221 |
| | 60,472 | 50,950 |

7. CASH AND CASH EQUIVALENTS

| | 31-Dec-18 | 31-Dec-17 |
|--------------|------------------|------------------|
| | £ | £ |
| Cash at bank | 62,236 | 54,389 |

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**8. BORROWINGS**

| | <u>31-Dec-18</u> | <u>31-Dec-17</u> |
|--|------------------|------------------|
| | £ | £ |
| Loan payable to RB REF Strategies 1 LP | 1,932,017 | 1,910,826 |

On 2 May 2014, the Company, as the borrower, entered into an Interest Bearing Loan agreement (the "IBL agreement") with Renshaw Bay REF Strategies 1 LP, as the lender, for a maximum amount of £97,500,000. During the year £nil (2017: £nil) was drawn down, and £nil (2017: £9,333,046) had been repaid.

The repayment date of any amounts outstanding under the loan agreement shall be made upon request of the lender. The loan, with respect to payment rights, right of liquidation, winding up and dissolution, shall rank prior to all shares and all other capital stock of the Company whether outstanding on the date hereof or issued in the future.

9. OTHER PAYABLES

| | <u>31-Dec-18</u> | <u>31-Dec-17</u> |
|---|------------------|------------------|
| | £ | £ |
| Amounts due to group undertakings (see note 14) | 4,870 | 4,870 |
| Interest payable to Renshaw Bay REF Strategies 1 L.P. (see note 14) | 59,934 | 36,122 |
| Tax compliance fees | 19,200 | 19,200 |
| Loan Administration fees | 536 | 2,665 |
| Legal and professional fees | 3,195 | 2,885 |
| | <u>87,735</u> | <u>65,742</u> |

10. CALLED UP SHARE CAPITAL

| | <u>31-Dec-18</u> | <u>31-Dec-17</u> |
|--|------------------|------------------|
| | £ | £ |
| The allotted and unpaid share capital of the Company at 31 December was 2 ordinary shares of £10 | 20 | 20 |

On 16 April 2014, the Company issued 2 Ordinary shares of £10, at par, to Renshaw Bay REFS Strategies 1 LP, acting by its General Partner Renshaw Bay GP4 LLP.

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**11. TAX EXPENSE**

| | 31-Dec-18 | 31-Dec-17 |
|--|------------------|------------------|
| | £ | £ |
| <i>Analysis of tax charge in the period</i> | | |
| UK corporation tax charge on profit for the year | 4,940 | 25,086 |
| Total tax expense | 4,940 | 25,086 |

Tax reconciliation

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the tax rate in the United Kingdom as follows:

| | 31-Dec-18 | 31-Dec-17 |
|---|------------------|------------------|
| | £ | £ |
| Profit before tax | 21,406 | 87,138 |
| Profit before tax multiplied by the standard rate of corporation tax | | |
| in the United Kingdom of: 19.00% (2017: 20.00%) | 4,067 | 17,428 |
| Tax charge on non-deductible UK expenditure | 873 | 7,658 |
| Current tax charge for the gain | 4,940 | 25,086 |

12. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2018, the Company did not have any significant commitments or contingent liabilities.

13. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

a) Key management compensation

The Directors who have served the Company in the financial year and up to the date of signing these financial statements, and who are considered to be the key management of the Company are listed on page 2 of these financial statements. No director received emoluments from the Company for services to the Company for the year.

There are no accounts receivable from or payments due to the directors.

b) Transactions with related parties

During the year, the Company made loan drawdowns totalling £nil (2017: £nil) under an Interest Bearing Loan agreement with Renshaw Bay REF Strategies 1 LP. There was £1,932,017 outstanding on the Interest Bearing Loan at 31 December 2018 (2017: £1,910,826). The Company was charged interest totalling £218,356 (2017: £616,512) on this loan, of which £5,786 remained outstanding at 31 December 2018 (2017: £2,408).

During the current year, no loans were sold to Renshaw Bay REF Strategies 1 LP by the Company (2017: £5,133,739) making a profit of £33,314.

During the year, Renshaw Bay REF Strategies 1 LP incurred expenses totalling £nil on behalf of the Company (2017: £nil). As at 31 December 2018, an amount of £4,870 is due to the LP (2017: £4,870).

During the year, GAM (U.K.) Limited, an affiliate of the new Investment Manager to the Group, recharged expenses totalling £nil (2017: £nil) of which £nil remained outstanding as at 31 December 2018 (2017: £nil).

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NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

14. ULTIMATE PARENT UNDERTAKING

As at 31 December 2018 the Company's immediate parent undertaking is Renshaw Bay REF Strategies 1 LP. The Directors of the Company considers BAE Systems Pension Fund Trustees Limited to be the ultimate controlling party.

The largest and smallest group of undertakings for which consolidated financial statements are prepared and which include the results of the Company are the consolidated financial statements of Renshaw Bay REF Strategies 1 LP. A copy of these financial statements may be obtained from the Company Secretary.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated up to the date the financial statements were approved and authorised for issue by the Directors and there are no material events to be disclosed in the financial statements