

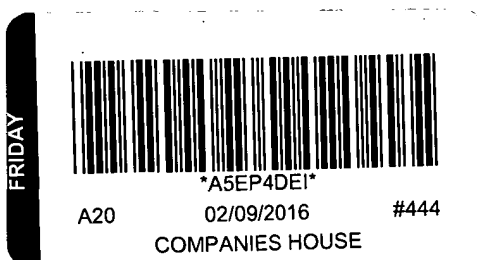
**Partnership Registration Number: OC307088**

**Avenue Europe Management, LLP**

**Group Financial Statements**

**For the year ended**

**31 December 2015**



# **Avenue Europe Management, LLP**

## **Annual report and financial statements for the year ended 31 December 2015**

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<b>Contents</b>	<b>Pages</b>
Members' report	1 – 3
Independent auditors' report	4 – 5
Group Profit and Loss account	6
Group Balance Sheet	7
LLP Balance Sheet	8
Group statement of changes in members' interests	9
LLP statement of changes in members' interests	10
Group Cash Flow statement	11
Notes to Group Cash Flow Statement	12
Notes to the Group financial statements	13 – 21

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# Avenue Europe Management, LLP

## Members' report for the year ended 31 December 2015

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The members present their annual report and the audited Group financial statements of Avenue Europe Management, LLP (the "LLP" or the "Partnership") and its subsidiaries, Avenue England Ltd., Avenue Germany Management GmbH, Avenue Iberia Asesores S.L. and Avenue Italia Advisors S.r.l. (collectively, the "Group") for the year ended 31 December 2015.

### Principal activities and review of the business

The principal activity of the Group is to act as a sub-investment manager to the Delaware based investment manager (Avenue Europe International Management, L.P. (the "Parent")), a U.S. Securities and Exchange Commission registered investment advisor for several private investment funds (collectively, the "Avenue European Funds").

Turnover for the Group was £11,220,064 for the year ended 31 December 2015 (2014: £10,845,463).

### Key performance indicators ("KPIs")

The key financial highlights, as set out in the audited financial statements are as follows:

	31 December 2015 £	31 December 2014 £
Revenue	11,220,064	10,845,463
Profit for the financial year available for discretionary division among the members	337,956	714,627
Total members' interests	5,353,620	5,768,459

Given the straightforward nature of the business, the LLP's designated members are of the opinion that analysis using KPIs is not necessary for the understanding of the development, performance or position of the business.

### Results for the year and allocation to members

The results for the year before members' remuneration and profit shares were £4,841,043 (2014: £6,842,740).

### Designated members

The following designated members have held office since incorporation:

Avenue Europe International Management, L.P.  
Avenue Europe Investments Management, LLC

### Financial Risk Management

The LLP operates systems and controls to mitigate any adverse effects across the range of risks that it faces. Specifically the LLP is exposed to the following risks:

**Credit risk** – This is due to the significant debtor balances on its balance sheet. These balances are monitored on a regular basis and payment sought within agreed credit terms.

**Market risk** - The LLP's only market risk exposure relates to exchange rate movements on fees due by the Group. The LLP has an exchange rate exposure between the date of recognition of fee income in its accounts and the receipt and conversion into sterling of those monies. The risk is mitigated by keeping both the size of our debtor balance and the trends/market expectation for sterling to US dollar or Euro exchange rate movements under regular review and arranging for timely payments of fee invoices.

## **Avenue Europe Management, LLP**

### **Members' report for the year ended 31 December 2015 (continued)**

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Liquidity risk – The LLP's liquidity risk relates to management fees due to them not being received. To mitigate this risk the LLP has in place a Liquidity Risk Management Policy that is reviewed on an annual basis. This policy sets out the process that is undertaken in ensuring the LLP maintains sufficient liquidity to enable it to meet its ongoing financial liabilities as they fall due.

#### **Principal risks and uncertainties**

The members consider the main risk to be the continued success of the LLP and affiliated entities. The management of the business and the execution of the strategy are subject to a number of risks. The key business risks and uncertainties affecting the business are considered to relate to the performance of the underlying funds.

#### **Statement of members' responsibilities in respect of the financial statements**

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

Company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) Regulations 2008 (the "Regulations") requires the members to prepare the financial statements for each financial year. Under that law the members have elected to prepare the Group and the Partnership financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

Under company law as applied to limited liability partnerships the members 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 Partnership and of the profit and loss of the Partnership for that period. In preparing these financial statements, the members are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- Notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 use in the preparation of financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by Regulations. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Pillar 3 disclosures**

In accordance with the rules of the Financial Conduct Authority, it is the intention of the LLP to update its Pillar 3 disclosure on an annual basis, shortly after completion of the annual audit. This information will be available at [www.avenuecapital.com/FSAdisclosures.aspx](http://www.avenuecapital.com/FSAdisclosures.aspx).

#### **Policy with respect to members' drawings and the subscription and repayment of members' capital**

Members contribute capital upon joining the LLP. Drawings are made after allowing for sufficient reserves for working capital. Profit allocations are made at the discretion of the designated members.

## **Avenue Europe Management, LLP**

### **Members' report for the year ended 31 December 2015 (continued)**

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#### **Disclosure of Information to auditors**

So far as the designated members are aware, there is no relevant audit information of which the LLP auditors are unaware. The designated members have taken all steps that they ought to have taken as designated members in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of this information.

#### **Independent auditors**

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment has been passed.

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**Sonia E. Gardner**

On behalf of Avenue Europe International Management GenPar, LLC,  
the general partner of Avenue Europe International Management, L.P., and  
Avenue Europe Investments Management, LLC,  
the designated members of Avenue Europe Management, LLP.

20 April 2016

# **Avenue Europe Management, LLP**

## **Independent auditors report for the year ended 31 December 2015**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### Our opinion

In our opinion, Avenue Europe Management, LLP's Group financial statements and limited liability partnership financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the limited liability partnership's affairs as at 31 December 2015 and of the Group's profit and cash flows 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 to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

#### What we have audited

The financial statements, included within the Group Financial Statements (the "Annual Report"), comprise:

- the Group and LLP Balance Sheet as at 31 December 2015;
- the Group Cash Flow Statement for the year then ended;
- the Group Profit and Loss account for the year then ended;
- the Group and LLP's statement of changes in members' interests for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the members have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

#### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

### **RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT**

#### Our responsibilities and those of the members

As explained more fully in the Statement of members' responsibilities set out on page 2, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## Avenue Europe Management, LLP

### Independent auditors report for the year ended 31 December 2015 (continued)

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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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report, including the opinion, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 Group's and the limited liability partnership's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the members; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the members' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements. We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Natasha McMillan (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

20 April 2016

**Group Profit and Loss account**  
**Year Ended 31 December 2015**

	<b>Note</b>	<b>2015 £</b>	<b>2014 £</b>
Turnover		11,220,064	10,845,463
Administrative expenses		<u>(5,920,935)</u>	<u>(4,098,404)</u>
<b>Operating profit</b>	<b>2</b>	5,299,129	6,747,059
Foreign exchange (loss)/gain		(358,008)	151,486
Interest receivable and similar income		<u>2,606</u>	<u>3,932</u>
<b>Profit on ordinary activities before taxation</b>		4,943,727	6,902,477
Tax on profit on ordinary activities	<b>5</b>	<u>(102,684)</u>	<u>(59,737)</u>
<b>Profit for the financial year before members' remuneration and profit shares</b>		4,841,043	6,842,740
<b>Members' remuneration charged as an expense</b>		<u>(4,503,087)</u>	<u>(6,128,113)</u>
<b>Profit for the financial year available for discretionary division among the members (including £148,657 (2014: £101,240) profits in subsidiary undertakings).</b>		<u>337,956</u>	<u>714,627</u>

There is no other comprehensive income in the year and in the comparative period.

All of the activities of the LLP are classed as continuing.

There is no difference between the profit available for division amongst the members and its historical cost equivalent.

The notes on pages 13 to 21 form part of these Group financial statements.

# Avenue Europe Management, LLP

## Group Balance Sheet 31 December 2015

	Note	2015 £	2014 £
<b>Fixed Assets</b>			
Tangible assets	4	437,004	37,625
<b>Current Assets</b>			
Debtors			
- amounts falling due in less than one year	7	5,775,943	4,439,642
Cash at bank and in hand		1,523,363	2,594,508
		7,299,306	7,034,150
<b>Creditors: Amounts falling due within one year</b>	8	(2,382,690)	(1,303,316)
<b>Net current assets</b>		4,916,616	5,730,834
<b>Net assets attributable to members</b>		5,353,620	5,768,459
<b>Represented by:</b>			
Loans and other debts due to members within one year		1,029,308	1,592,804
<b>Members' other interests</b>			
Members' capital classified as equity		3,679,475	3,679,475
Other reserves		644,837	496,180
		5,353,620	5,768,459
<b>Total members' interests</b>			
Loans and other debts due to members		1,029,308	1,592,804
Members' other interests		4,324,312	4,175,655
		5,353,620	5,768,459

The financial statements on pages 13 to 21 were approved by the designated members on 20 April 2016 and are signed on their behalf by:



**Sonia E. Gardner**

On behalf of Avenue Europe International Management GenPar, LLC,  
the general partner of Avenue Europe International Management, L.P., and  
Avenue Europe Investments Management, LLC,  
the designated members of Avenue Europe Management, LLP.  
Partnership Registration Number OC307088

The notes on pages 13 to 21 form part of these Group financial statements.

# Avenue Europe Management, LLP

## LLP Balance Sheet 31 December 2015

	Note	2015 £	2014 £
<b>Fixed Assets</b>			
Tangible assets	4	418,039	26,936
Investments	6	28,835	28,217
		<u>446,874</u>	<u>55,153</u>
<b>Current Assets</b>			
Debtors			
- amounts falling due in less than one year	7	5,533,186	4,398,080
Cash at bank and in hand		<u>1,115,160</u>	<u>2,010,149</u>
		6,648,346	6,408,229
<b>Creditors: Amounts falling due within one year</b>	8	<u>(2,386,437)</u>	<u>(1,191,103)</u>
<b>Net current assets</b>		4,261,909	5,217,126
<b>Net assets attributable to members</b>		<u>4,708,783</u>	<u>5,272,279</u>
<b>Represented by:</b>			
Loans and other debts due to members within one year		1,029,308	1,592,804
<b>Members' other interests</b>			
Members' capital classified as equity		3,679,475	3,679,475
		<u>4,708,783</u>	<u>5,272,279</u>
<b>Total members' interests</b>			
Loans and other debts due to members		1,029,308	1,592,804
Members' other interests		3,679,475	3,679,475
		<u>4,708,783</u>	<u>5,272,279</u>

The financial statements on pages 13 to 21 were approved by the designated members on 20 April 2016 and are signed on their behalf by:

  
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Partnership Registration Number OC307088

The notes on pages 13 to 21 form part of these Group financial statements

**Group statement of changes in members' interests for the year ended 31 December 2015**

<b>Group</b>	<b>Members' Capital (Classified as equity) £</b>	<b>Other reserves £</b>	<b>Total £</b>	<b>Loans &amp; other debts due (from)/to members £</b>	<b>Total £</b>
Members' interests at 1 January 2014	3,678,529	394,940	4,073,469	687,575	4,761,044
Members' remuneration charged as an expense	-	-	-	6,128,113	6,128,113
LLP's Profit for the year available for allocation among members	-	-	-	613,388	613,388
Members' interests after Profit for the year	3,678,529	394,940	4,073,469	7,429,076	11,502,545
Capital contribution	946	-	946	-	946
Drawings	-	-	-	(6,128,113)	(6,128,113)
Profit from subsidiary not allocable to LLP	-	101,240	101,240	-	101,240
Other movements	-	-	-	291,841	291,841
Members' interests at 31 December 2014	3,679,475	496,180	4,175,655	1,592,804	5,768,459
Members' interests at 1 January 2015	3,679,475	496,180	4,175,655	1,592,804	5,768,459
Members' remuneration charged as an expense	-	-	-	4,503,087	4,503,087
LLP's Profit for the year available for allocation among members	-	-	-	189,299	189,299
Members' interests after Profit for the year	3,679,475	496,180	4,175,655	6,285,190	10,460,845
Capital contribution	-	-	-	-	-
Drawings	-	-	-	(4,513,925)	(4,513,925)
Profit from subsidiary not allocable to LLP	-	148,657	148,657	-	148,657
Other movements	-	-	-	(741,957)	(741,957)
Members' interests at 31 December 2015	3,679,475	644,837	4,324,312	1,029,308	5,353,620

The other reserves as at 31 December 2015 represent the retained profit within the LLP's subsidiary undertakings.

**LLP statement of changes in members' interests for the year ended 31 December 2015**

LLP	Members' Capital (Classified as equity) £	Other reserves £	Total £	Loans & other debts due (from)/to members £	Total £
Members' interests at 1 January 2014	3,678,529	-	3,678,529	687,575	4,366,104
Members' remuneration charged as an expense	-	-	-	6,128,113	6,128,113
Profit for the year available for allocation among members	-	-	-	613,388	613,388
Members' interests after profit for the year	3,678,529	-	3,678,529	7,429,076	11,107,605
Capital contribution	946	-	946	-	946
Drawings	-	-	-	(6,128,113)	(6,128,113)
Other movements	-	-	-	291,841	291,841
Members' interests at 31 December 2014	3,679,475	-	3,679,475	1,592,804	5,272,279
Members' interests at 1 January 2015	3,679,475	-	3,679,475	1,592,804	5,272,279
Members' remuneration charged as an expense	-	-	-	4,503,087	4,503,087
Profit for the year available for allocation among members	-	-	-	189,299	189,299
Members' interests after profit for the year	3,679,475	-	3,679,475	6,285,190	9,964,665
Capital contribution	-	-	-	-	-
Drawings	-	-	-	(4,513,925)	(4,513,925)
Other movements	-	-	-	(741,957)	(741,957)
Members' interests at 31 December 2015	3,679,475	-	3,679,475	1,029,308	4,708,783

**Group Cash Flow Statement**  
**Year Ended 31 December 2015**

	Note	2015 £	2014 £
<b>Net cash inflow from operating activities</b>	A	5,035,133	4,912,081
Taxation paid		(57,605)	(58,155)
<b>Net cash generated from operating activities</b>		<u>4,977,528</u>	<u>4,853,926</u>
<b>Cash flow from investing activities</b>			
Interest received		2,606	3,932
Payments to acquire tangible assets		(437,389)	(47,743)
<b>Net cash used in investing activities</b>		<u>(434,783)</u>	<u>(43,811)</u>
<b>Cash flow from financing activities</b>			
Capital Contribution		-	946
Distributions paid to members	B	(5,255,882)	(5,836,272)
<b>Net cash used in financing activities</b>		<u>(5,255,882)</u>	<u>(5,835,326)</u>
<b>Net (decrease) in cash and cash equivalents</b>	C	<u>(713,137)</u>	<u>(1,025,211)</u>
Cash and cash equivalents at the start of the year		2,594,508	3,468,233
Cash and cash equivalents at the end of the year		<u>1,523,363</u>	<u>2,594,508</u>

**Notes to Group Cash Flow Statement**  
**Year Ended 31 December 2015**

**Notes to Cash Flow Statement**

**A. Reconciliation of operating profit to net cash inflow from operating activities:**

	<b>2015</b> £	<b>2014</b> £
Operating profit	5,299,129	6,747,059
Add back non cash items - depreciation	35,922	27,321
Loss on disposal of fixed asset	1,460	-
Foreign exchange movements on fixed assets	628	98
(Increase) in debtors	(1,296,143)	(2,153,327)
Increase in creditors	994,551	292,479
Foreign exchange movements on foreign tax	(414)	(1,549)
	<u>5,035,133</u>	<u>4,912,081</u>

**B. Analysis of transactions with members**

	<b>2015</b> £	<b>2014</b> £
Members' remuneration	(4,513,925)	(6,128,113)
Other movements	(741,957)	291,841
	<u>(5,255,882)</u>	<u>(5,836,272)</u>

**C. Reconciliation of net cash flow to movement in net funds:**

	<b>2015</b> £	<b>2014</b> £
Change in net funds	(1,071,145)	(873,725)
Foreign exchange rate movements	358,008	(151,486)
(Decrease) in cash	<u>(713,137)</u>	<u>(1,025,211)</u>

**1. Accounting policies**

**General information**

Avenue Europe Management, LLP (the "LLP") is a limited liability partnership established in England and Wales, company registration number OC307088

The registered office is:

1 Knightsbridge  
4<sup>th</sup> Floor  
London  
England  
SW1X 7LX

**Basis of preparing the financial statements**

The Group and individual financial statements have been prepared in accordance with amended Financial Reporting Standard 102 applicable from 1 January 2016 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Acts 2006) Regulations 2008 and the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' issued in July 2014 (the "LLP SORP"). The financial statements have been prepared under the historical cost convention.

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Details of the transition to FRS 102 are disclosed in note 14.

**Basis of consolidation**

The Group financial statements include the results of operations, assets, liabilities and cash flows of Avenue Europe Management, LLP (the "LLP") and its subsidiary undertakings Avenue England Ltd, Avenue Germany Management GmbH, Avenue Iberia Asesores S.L., and Avenue Italia Advisors S.r.l. Group transactions are eliminated on consolidation. No separate Profit and Loss account is presented for the LLP as permitted under Section 408 of The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

**Exemptions for qualifying entities under FRS102**

The Group has taken advantage of the exemption from preparing a statement of cash flows on a standalone basis, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements includes the LLP's cash flows.

**Turnover**

The turnover shown in the Group Profit and Loss account represents amounts due for sub-investment management and sub-investment advisory services recognised on an accrual basis during the year, exclusive of Value Added Tax. Turnover represents services provided to Avenue Europe International Management, L.P.

**Compliance with accounting standards**

These financial statements for the year ended 31 December 2015 are the first financial statements of the Group following adoption of FRS 102 and the revised LLP SORP. The date of transition to FRS 102 was 1 January 2014. The Group previously reported under old UK GAAP and various presentational changes have also been made. Further details are shown in the 'First year adoption' note to the financial statements.

**Going concern**

The Group meets its day-to-day working capital requirements through its bank facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the members have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

**1. Accounting policies (continued)**

The Group therefore continues to adopt the going concern basis in preparing its financial statements.

**Financial reporting standard 102 - reduced disclosure exemptions**

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102 in the transition period. The Group has taken the exemption in section 35.10 (p) of FRS 102 with regard to lease incentives, and has continued to recognise the residual cost/benefit associated with existing lease incentives existing before the date of transition on the same basis as that applied at the date of transition to this FRS.

**Critical accounting judgements and estimation uncertainty**

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

**(a) Critical judgements in applying the Group and LLP's accounting policies**

The Group and LLP make a number of assessments which require judgement in preparing the financial statements and can have a significant effect upon the financial statements. However, due to the straight forward nature of the Group and LLP's business, management does not believe that there are any judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**(b) Key accounting estimates and assumptions**

The Group and LLP make estimates and assumptions concerning the future. The resulting accounting estimates may by definition, differ from actual results. However, due to the straight forward nature of the Group and LLP's business, management does not believe that there are any 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.

**Financial instruments**

The Group and LLP have chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

**(i) Financial assets**

Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**1. Accounting policies (continued)**

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or it expires.

**Investments**

Investments are shown at cost less provision for any impairment which the members consider to be permanent. All investments are in the Group's subsidiaries.

**Taxation**

In accordance with the Statement of Recommended Practice on Accounting by Limited Liability Partnerships, no taxation is required to be recorded regarding profits of the LLP as the tax is borne by the individual members on their attributable profit shares and not by the LLP. Any profits of Avenue Germany Management GmbH, Avenue Iberia Asesores S.L. and Avenue Italia Advisors S.r.l. are taxed at the applicable tax rate in Germany, Spain, and Italy, respectively.

**Foreign currencies**

The Group financial statements are presented in pound Sterling. The LLP's functional and presentation currency is the pound Sterling. Assets, including fixed assets, and liabilities denominated in foreign currencies are translated into pound Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into pound Sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit or loss.

**Tangible fixed assets and depreciation**

Tangible fixed assets are shown at cost less accumulated depreciation. Depreciation is calculated on the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives, as follows:

Office improvements	-	straight line over the life of the lease
Computer equipment	-	straight line over 3 years
Fixtures and fittings	-	straight line over 3 years

**Allocations of profit**

Where a member has a preferential right to receive allocations of profit from the Partnership such allocations are treated as Members' remuneration charged as an expense, with a corresponding liability recognised as an amount due to that Member.

**Cash and Cash equivalents**

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

## Notes to Group financial statements for the year ended 31 December 2015 (continued)

### 2. Group operating profit

Operating profit is arrived at after charging:

	2015 £	2014 £
Fees payable to the LLP's auditor for the audit of the LLP's annual financial statements:	45,565	34,100
Fees payable to the LLP's auditor and its associates for other services:		
The audit of the LLP's subsidiaries pursuant to legislation	30,044	20,735
Other services pursuant to legislation	2,200	5,500
Tax services	162,421	116,592
Total	240,230	176,927
Operating lease costs – land and buildings	380,984	254,513
Depreciation of tangible assets	35,922	27,321

### 3. Employees and remuneration - Group

The average monthly number of staff employed by the Group during the financial year amounted to:

	2015	2014
Number of full time staff	18	12

Twelve of these staff (2014: seven) are investment professionals and the remaining staff provide support services.

The aggregate payroll costs of staff were:

	2015 £	2014 £
Wages and salaries	3,538,438	2,267,012
Social security costs	372,730	237,106
	3,911,168	2,504,118

Included in wages and salaries is a pro-rata portion of incentive compensation due to members that relates to a period when these members were employees of the LLP. Pro-rata amounts due for the period they have been members of the LLP have been included within members' remuneration charged as an expense.

Notes to Group financial statements for the year ended 31 December 2015 (continued)

4. Tangible assets

Group	Office improvements £	Computer equipment £	Furniture & Fixtures £	Total £
<b>Cost:</b>				
At 1 January 2015	668,629	82,287	24,595	775,511
Additions for the year	350,172	47,339	39,878	437,389
Disposals in the year	(574,284)	(40,350)	-	(614,634)
Foreign exchange translation	(4,765)	(1,034)	-	(5,799)
At 31 December 2015	439,752	88,242	64,473	592,467
<b>Accumulated Depreciation:</b>				
At 1 January 2015	654,598	71,598	11,690	737,886
Charge for the year	15,463	6,665	13,794	35,922
Disposals in the year	(572,824)	(40,350)	-	(613,174)
Foreign exchange translation	(4,765)	(406)	-	(5,171)
At 31 December 2015	92,472	37,507	25,484	155,463
<b>Net Book Value:</b>				
At 31 December 2015	347,280	50,735	38,989	437,004
At 31 December 2014	14,031	10,689	12,905	37,625
<b>LLP</b>				
<b>Cost:</b>				
At 1 January 2015	574,284	61,811	24,595	660,690
Additions for the year	347,076	43,862	32,010	422,948
Disposals in the year	(574,284)	(40,350)	-	(614,634)
At 31 December 2015	347,076	65,323	56,605	469,004
<b>Accumulated Depreciation:</b>				
At 1 January 2015	560,253	61,811	11,690	633,754
Charge for the year	15,463	1,128	13,794	30,385
Disposals in the year	(572,824)	(40,350)	-	(613,174)
At 31 December 2015	2,892	22,589	25,484	50,965
<b>Net Book Value:</b>				
At 31 December 2015	344,184	42,734	31,121	418,039
At 31 December 2014	14,031	-	12,905	26,936

During the year, the Group disposed of assets which resulted in a loss on disposal of £1,460.

5. Tax on profit on ordinary activities

	2015 £	2014 £
<b>Current tax:</b>		
Foreign corporation tax	142,842	59,737
Total current tax	<u>142,842</u>	<u>59,737</u>
<b>Deferred Tax:</b>		
Origination and reversal of timing differences	(40,158)	-
Total deferred tax	<u>(40,158)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>102,684</u>	<u>59,737</u>

The UK average rate of corporation tax for the 2015 financial year is 20.25% (2014: 21.5%). The actual tax charge for the current year is less than the UK standard rate for the reasons set out in the following reconciliation:

	Group 2015 £	Group 2014 £
Profit on ordinary activities before tax	<u>4,943,727</u>	<u>6,902,477</u>
Tax on profit on ordinary activities at 20.25% (2014: 21.5%)	1,001,105	1,484,033
Factors affecting the tax charge for the year:		
Less: profits of the LLP not chargeable to corporation tax	(950,209)	(1,449,434)
Add: adjustment in respect of foreign tax rates	51,788	25,138
Total current tax	<u>102,684</u>	<u>59,737</u>

Avenue Europe Management, LLP is not subject to taxation.

The standard rate of corporation tax in the UK changed to 20% with effect from 1 April 2015. It is not anticipated that these changes will affect the effective rate of tax for the Partnership as the tax incurred relates to foreign subsidiaries.

6. Investments

As at 31 December 2015 and 31 December 2014, the LLP owned 100% of the ordinary share capital of Avenue England Ltd. Avenue England Ltd is an intermediate holding company and as at 31 December 2015 and 31 December 2014 owned 100% of the share capital of Avenue Germany Management GmbH, a company registered in Germany, Avenue Iberia Asesores S.L., a company registered in Spain and Avenue Italia Advisors S.r.l., a company registered in Italy, all providing advisory services to the LLP.

All of the above subsidiaries are included within the consolidated financial statements.

The members believe that the carrying value of the investments is supported by their underlying net assets.

**Notes to Group financial statements for the year ended 31 December 2015 (continued)**

**7. Debtors : amounts falling due in less than one year**

	<b>Group 2015 £</b>	<b>Group 2014 £</b>	<b>LLP 2015 £</b>	<b>LLP 2014 £</b>
Amounts owed by group undertakings	30,483	146,226	31,586	164,136
Revenue receivable from Partners	5,089,534	3,907,581	5,063,850	3,912,185
Prepayments and accrued income	166,275	157,897	93,042	141,215
Other debtors	299,731	101,376	247,770	83,606
Rent deposit	149,762	126,562	96,938	96,938
Deferred tax asset	40,158	-	-	-
	<u>5,775,943</u>	<u>4,439,642</u>	<u>5,533,186</u>	<u>4,398,080</u>

Of rent deposit in the Group, £24,029 falls due after one year.

Amounts due from Group companies and related parties are interest free, unsecured and repayable on demand.

**8. Creditors: Amounts falling due within one year**

	<b>Group 2015 £</b>	<b>Group 2014 £</b>	<b>LLP 2015 £</b>	<b>LLP 2014 £</b>
Amounts due to group undertakings	-	-	1,063,798	288,096
Other taxation and social security	201,754	201,062	201,754	201,062
Corporate tax	107,211	22,388	-	-
Other creditors	2,073,725	1,079,866	1,120,885	701,945
	<u>2,382,690</u>	<u>1,303,316</u>	<u>2,386,437</u>	<u>1,191,103</u>

Amounts due to Group companies and related parties are interest free, unsecured and repayable on demand.

**9. Information in relation to members**

	LLP 2015	LLP 2014
The average number of members during the year was	10	9
	2015 £	2014 £
Profit for the year before Members' remuneration and profit share (excluding profits from subsidiary)	4,692,386	6,741,501
Members' remuneration charged as an expense	(4,503,087)	(6,128,113)
Profit for the year before profit share	189,299	613,388

Of the profits allocated in the year the member with the largest allocation received £1,006,608 (year ended 31 December 2014: £1,279,220).

**10. Other financial commitments**

The Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2015 £	2014 £
For leases expiring:		
Less than one year	304,926	250,483
Between one to five years	1,521,072	-
More than five years	1,700,527	-

**11. Accounting treatment of deferred compensation**

The LLP is obligated to pay to certain members and employees their share of incentive allocations, if any, earned by the General Partners of the Avenue European Funds. There is no obligation for the LLP to make payments to these members and employees under the incentive allocation arrangements until the incentive allocations have been remitted from the Avenue European Funds to their General Partners. Hence in accordance with FRS 102 a provision for expenses is only recognised in these financial statements once this condition has been met.

**12. Related party transactions**

The LLP, as a parent, has taken advantage of the exemption in FRS102 33.1A available from disclosure in its consolidated financial statements of intra-group transactions and balances that are eliminated on consolidation.

During the year, the Group recognized revenue of £11,218,464 (2014: £10,845,463) arising from rendering advisory services to its parent company, Avenue Europe International Management, L.P.

**12. Related party transactions (continued)**

At year end, there were outstanding balances of £5,008,733 (2014: £3,817,081) due from Avenue Europe International Management, L.P. and £80,801 (2014: £90,500) due from members.

At year end, there was an outstanding balance of £29,856 (2014: £145,682) due from an affiliated management company.

*Key management personnel*

All partners who have authority and responsibility for planning, directing and controlling the activities of the Company are considered to be key management personnel. Total remuneration in respect of these individuals is £4,503,087 (2014: £6,128,113).

**13. Controlling party**

The immediate parent undertaking of the LLP is Avenue Europe International Management, L.P., a Delaware Limited Liability Company, whose registered address is 399 Park Avenue, New York, NY 10022, USA, which is jointly and ultimately controlled by Marc Lasry and Sonia E. Gardner.

**14. First year adoption**

This is the first year that the Group and LLP have presented its results under FRS 102. The last financial statements, under previously extant UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. There were no adjustments to the Group or LLP's balance sheet as at 1 January 2014 and 31 December 2014 on transition to FRS102.

*Statement of cash flows*

The Group's cash flow statement reflects the presentation requirements of FRS102 which is different to that prepared under FRS 1. In addition the cash flow statement reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'.