

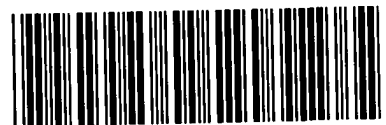
Greenhill & Co. Europe Holdings Limited

Reports and Financial Statements

31 December 2018

Registered No: 3688817

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COMPANIES HOUSE

Directors

D Barrett-Lennard * (joined 18 February 2019)
C Bosco *
P Bouten
N Buffery
J Dann * (joined 23 January 2019)
G Davies (ceased to be a director with effect from 21 January 2018)
C Gournay *
R Hill *
J Lupton (ceased to be a director with effect from 26 November 2018)
S Moorhead *
H Rodriguez, Jr.
H Tidbury *
E Welsh *
D Wyles

* also see subsequent event for the resignation of such directors from the Company

Auditors

Ernst & Young LLP
25 Churchill Place
London E14 5EY

Bankers

Coutts & Co
440 Strand
London WC2R 0QS

Registered Office

Lansdowne House
57 Berkeley Square
London W1J 6ER

Strategic Report

The directors present their strategic report for the year ended 31 December 2018.

Principal activities and review of the business

The Company is a holding company with four subsidiary undertakings as at 31 December 2018.

The Company has a controlling interest in Greenhill & Co. International LLP ("GCI LLP") and Greenhill & Co. Europe LLP ("GCE LLP"). The Company also has a wholly owned Spanish subsidiary, Greenhill & Co. Spain Limited ("Greenhill Spain"). Effective 1 January 2018 as part of a reorganization of its corporate entities, the Company purchased Greenhill Cogent Europe, LLP ("Cogent Europe") for £4.4 million and was admitted as a member of its partnership.

- GCI LLP is an authorised Corporate Finance Advisory Firm regulated by the Financial Conduct Authority (FCA) and engaged in the investment banking business providing financial advisory services to corporations, partnerships, institutions, governments and others in connection with mergers, acquisitions, divestitures, tender and exchange offers, leveraged buy-outs, restructuring, recapitalisations and other extraordinary corporate transactions, capital advisory services located in the United Kingdom.
- GCE LLP is an authorised Corporate Finance Advisory Firm regulated by the Financial Conduct Authority (FCA) and engaged in the investment banking business providing financial advisory services to corporations, partnerships, institutions, governments and others in connection with mergers, acquisitions, divestitures, tender and exchange offers, leveraged buy-outs, restructuring, recapitalisations and other extraordinary corporate transactions located in Europe.
- Greenhill Spain, an authorised Corporate Finance Advisory Firm regulated by the Financial Conduct Authority (FCA), effective March 2018, is engaged in the investment banking business providing financial advisory services to corporations, partnerships, institutions, governments and others in connection with mergers, acquisitions, divestitures, tender and exchange offers, leveraged buy-outs, restructuring, recapitalisations and other extraordinary corporate transactions located in Spain.
- Cogent Europe is an authorised Corporate Finance Advisory Firm regulated by the Financial Conduct Authority (FCA) and is a provider of investment consulting and advisory services to institutional and other related investors, operating in the U.K. and Europe.

The Company also has a wholly owned Cayman Islands subsidiary, Greenhill & Co. Cayman Limited, and preferred shares in Greenhill & Co. Australia Pty Limited, a broker that is incorporated in and operates in Australia.

The Company's ultimate and immediate parent is Greenhill & Co., Inc. ('Greenhill'). Greenhill is domiciled in the United States of America.

The information presented within the reports and financial statements is on an individual rather than a consolidated basis.

Key performance indicators

The Company considers the turnover and the profit margin of their wholly owned subsidiaries' individual performances as key performance indicators. As the Company is a holding company that receives distributions from the operating subsidiaries, and given the straightforward nature of the business, the key performance indicators used by the Company to determine progress and performance of its subsidiaries are (i) advisory fees which is captured within Turnover on the income statement and (ii) After Tax Profit Margin.

The key financial and other performance indicators of the Company's subsidiaries during the year were as follows:

<i>GCI LLP, GCE LLP, Greenhill Spain & Cogent Europe¹</i>	<i>2018</i>	<i>2017</i>	<i>² Change</i>
	<i>£000</i>	<i>£000</i>	<i>%</i>
<i>Turnover</i>	93,714	30,917	203%
<i>After Tax Profit Margin</i>	60%	17%	

¹ GCE LLP and Greenhill Spain Turnover figures for 2018 & 2017 were converted utilising the respective GBP/Euro average yearly rates.

² Greenhill Spain had turnover of £0 for 2017 and Cogent Europe was not a member of the Company until 2018.

Advisory fees are driven by the number of successful transactions generated by the individual members of their respective subsidiaries and their supporting teams. The members of the subsidiaries meet at least monthly and sometimes more often to discuss various ongoing transactions along with the overall business environment and possible opportunities to generate additional advisory assignments. In the year ended 31 December 2018, dividends of £29,678,000 were distributed to Greenhill (2017 - nil).

Turnover figures can vary year over year due in large part to the successful completion of a client's transaction, the timing of which is outside of the subsidiary's control. Unlike other more diversified investment banking entities, which generate revenues from commercial lending, securities trading and underwriting, or have asset management businesses, the number and scale of successfully completed client transactions or the market for advisory services generally would have a material effect on the turnover figures of the subsidiaries year over year.

Profit margins can also vary year over year, but can be controlled through effective monitoring of compensation and non-compensation expenses. Each of the subsidiaries largest expense relates to compensation mainly in the form of cash compensation, related employment taxes and the amortization of long-term incentive compensation awards of restricted stock units. Awards of restricted stock units are discretionary and are amortised into compensation expense during the service period over which the award vests, which is generally four to five years for the majority of the awards. The subsidiaries also record dividend equivalent payments on outstanding restricted stock units as compensation. For the Company's subsidiaries, compensation expense as a percentage of turnover was 22% in 2018 (2017: 42%) and non-compensation expenses as a percentage of turnover was 17% in 2018 (2017: 42%).

Principal risks and uncertainties

The principal business risks facing the Company arise from economic climate, the non-recurring nature of the Company's subsidiaries' advisory engagements, the impact to the reputation of the subsidiaries if they do not provide sound advice and an extensive regulatory environment.

The subsidiaries derive revenues from advisory fees. Adverse market or economic conditions would likely affect the number, size and timing of transactions on which we provide advice and therefore can adversely affect the subsidiaries advisory fees which would adversely affect turnover.

The subsidiaries also rely on generating revenue via non-recurring engagements. Non-recurring engagements can cause revenue to vary from period to period. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in the next succeeding period or any other period. In addition, the subsidiaries' generally derive most of our engagement revenues at key transaction milestones, such as announcement or closing, and the timing of these milestones is outside our control. If an engagement was terminated prior to the successful completion of a transaction or project, whether due to market reasons or otherwise, subsidiaries may earn limited or no fees and may not be able to recoup the costs incurred prior to the termination.

As investment banking firms, the Company's subsidiaries depend to a large extent on relationships with clients and its reputation for integrity and high-caliber professional services to attract and retain clients. As a result, if a client is not satisfied with the services provided, it may cause reputational harm, which could impact the volume of future business.

The financial services industry is subject to extensive regulation. Regulatory agencies are empowered to conduct periodic examinations and administrative proceedings that can result in censure, fine, issuance of "cease and desist" orders or suspension of personnel or other sanctions, including revocation of our license or registration of our regulated subsidiaries. In addition, as a result of recent highly publicised scandals in the financial services industry, scrutiny by regulators of financial services firms has increased significantly. Even if a sanction imposed against our subsidiaries or our personnel is small in monetary amount, the adverse publicity arising from the imposition of sanctions by regulators could harm the Company's reputation and cause our subsidiaries to lose existing clients or fail to gain new clients.

In addition, on the 23rd June 2016, the United Kingdom voted in favor of a referendum to leave the European Union, commonly referred to as "Brexit". Please see note 14 for further disclosure.

On behalf of the board

A handwritten signature in black ink, appearing to read "H. J. Rodriguez, Jr.", with a stylized flourish at the end.

Harold J. Rodriguez, Jr.
27 September 2019

Directors' report

The directors present their report on the Greenhill & Co. Europe Holdings Limited (the 'Company') financial statements for the year ended 31 December 2018.

Results and dividends

The Company made a profit for the year after taxation of £30,638,000 (2017 - £6,134,000). The results for the year are shown in the income statement on page 9. In the year ended 31 December 2018, dividends of £29,678,000 (2017 - nil) were distributed to Greenhill.

Future developments

The directors aim to maintain policies to oversee the operations of the Company's controlled subsidiaries GCI LLP, GCE LLP, Greenhill Spain and Cogent Europe. The Company's source of revenue is the portion of revenues distributed to the Company from the profit share of GCI LLP, its financial advisory business located in the United Kingdom; GCE LLP, its financial advisory business located in Germany; and Cogent Europe, its investment and consulting advisory services business in the United Kingdom and Europe.

Directors and their interests

The directors of the Company during the year ended 31 December 2018 were those listed on page 1. None of the directors had any beneficial interest in the share capital of the Company.

Going concern

After reviewing forecasts and making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future i.e. at least twelve months from the date of signing the statutory accounts. The Company was profitable in 2018, and the directors believe that the Company will continue to be profitable in the foreseeable future. In the event that the Company needs additional resources to operate, it will receive distributions from its controlled subsidiaries to the extent cash is available or obtain advances from its ultimate parent. Due to its controlling interest, the Company can withdraw cash from its operating subsidiaries when and if needed.

Additionally, a letter of financial support has been provided by the Company's ultimate parent, Greenhill, in order to ensure that the Company is able to meet all its obligations as and when they fall due. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

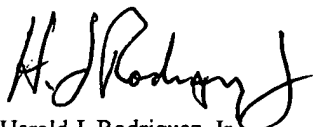
Disclosure of information to the auditors

So far as each person who is a director at the date of approving this report is aware, there is no relevant audit information, being needed by the auditor in connection with preparing its report of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as the Company's auditor will be put to the directors at the Annual General Meeting.

On behalf of the board



Harold J. Rodriguez, Jr.

27 September 2019

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'. Under company law, the directors must not approve the financial statements until 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable U.K. accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is in appropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENHILL & CO. EUROPE HOLDINGS LIMITED

Opinion

We have audited the financial statements of Greenhill & Co. Europe Holdings Limited for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Financial Position, and the Statement of Changes in Equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 6, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

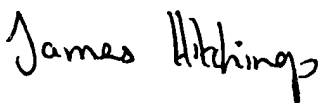
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



James Hitchings (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

28/09/2019

Income Statement

For the year ended 31 December 2018

	<i>Notes</i>	2018 £000	2017 £000
Turnover	2	43,783	11,148
Administration expenses		(5,829)	(6,376)
Profit on ordinary activities before interest		37,954	4,772
Interest receivable		490	437
Profit on ordinary activities before taxation		38,444	5,209
Tax credit/(charge) on profits on ordinary activities	7	(7,806)	925
Profit for the financial year		<u>30,638</u>	<u>6,134</u>

All operations are continuing.

There are no components of other comprehensive income recognised as a part of total comprehensive income outside the income statement.

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Equity

at 31 December 2018

	<i>Called up share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2017	500	(1,232)	(732)
Profit for the year	—	6,134	6,134
Equity-settled component of share-based payments	—	7	7
At 31 December 2017	500	4,909	5,409
At 1 January 2018	500	4,909	5,409
Profit for the year	—	30,638	30,638
Equity-settled component of share-based payments	—	915	915
Dividend to ultimate parent	—	(29,678)	(29,678)
At 31 December 2018	500	6,784	7,284

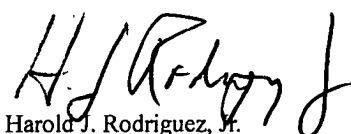
The accompanying notes are an integral part of the financial statements.

Statement of Financial Position at 31 December 2018

	<i>Notes</i>	<i>2018 £000</i>	<i>2017 £000</i>
<i>Fixed assets</i>			
Investments	8	7,608	3,175
Due from affiliates: amounts falling due after one year	9	3,753	15,979
		<u>11,361</u>	<u>19,154</u>
<i>Current assets</i>			
Due from affiliates: amounts falling within one year	9	7,413	386
Tax receivable		—	411
Cash at bank and in hand		187	643
Deferred taxation	10	3,342	4,729
		<u>10,942</u>	<u>6,169</u>
<i>Creditors: amounts falling due within one year</i>	11	<u>(13,037)</u>	<u>(18,482)</u>
<i>Net current (liabilities)/assets</i>		<u>(2,095)</u>	<u>(12,313)</u>
<i>Total assets less current liabilities</i>		9,266	6,841
<i>Creditors: amounts falling due after more than one year</i>	11	<u>(1,982)</u>	<u>(1,432)</u>
<i>Net assets</i>		<u>7,284</u>	<u>5,409</u>
<i>Capital and reserves</i>			
Called up share capital	13	500	500
Profit and loss account		6,784	4,909
		<u>7,284</u>	<u>5,409</u>

The financial statements were approved by order of the board of directors on 27 September 2019 and were signed on its behalf by:

The accompanying notes are an integral part of the financial statements.



Harold J. Rodriguez, Jr.

Director

Notes to the financial statements at 31 December 2018

1. Accounting policies

The principle accounting policies are summarized below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation

Greenhill & Co. Europe Holdings Limited is a limited liability company incorporated on 24 December 1998. The Registered Office is Lansdowne House, 57 Berkeley Square, London, W1J 6ER. The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2018.

On 1 January 2014, the Company transitioned from the previously extant UK GAAP to FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

The financial statements of Greenhill & Co. Europe Holdings Limited were authorised for issue by the directors on 27 September 2019.

The financial statements are prepared in sterling which is the functional and presentation currency of the Company and rounded to the nearest £'000.

Going concern

After reviewing forecasts and making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future i.e. at least twelve months from the date of signing the statutory accounts. The Company was profitable in 2018 and the directors believe that the Company will be profitable in the foreseeable future. In the event that the Company needs additional resources to operate, it will receive distributions from its controlled subsidiaries to the extent cash is available or obtain advances from its ultimate parent. Due to its controlling interest, the Company can withdraw cash from its operating subsidiaries when and if needed.

Additionally, a letter of financial support has been provided by the Company's ultimate parent, Greenhill, in order to ensure that the Company is able to meet all its obligations as and when they fall due. For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

Qualifying entity exemptions

Greenhill & Co. Europe Holdings Limited is a qualifying entity as per FRS 102 as it is a member of a group where the parent of that group (Greenhill & Co., Inc.) prepares publicly available consolidated financial statements which can be obtained from the United States Securities and Exchange Commission's EDGAR electronic database, via the ticker symbol GHL (<https://www.sec.gov/edgar/searchedgar/webusers.htm>).

As a qualifying entity, the Company has taken advantage of the exemption in FRS 102 from the requirement of section 7 to prepare a statement of cash flows and from the requirement of section 33 Related Party Disclosures paragraph 33.7 to disclose key management personnel compensation.

Expenses

Expenses incurred have been recognised on an accruals basis.

Share-based payments

In accordance with the requirements of FRS 102, share based payments are recorded as a charge to compensation expense. Such payments, as described in note 6, comprise both an equity-settled component and a cash-settled component, the latter arising because the employee has the option to utilise part of the award to settle the associated withholding tax liability rather than receive the full award in the form of shares. For the equity-settled component, compensation expense is determined at the date of the grant with a corresponding equity contribution from Greenhill.

1. Accounting policies continued

Share-based payments

For the cash-settled component, compensation expense is re-measured at each reporting date with reference to current market values, with a corresponding liability. The fair value of the share based payments with further service requirements are generally amortised over a four year service period following the date of grant applying straight-line amortisation separately to each individual tranche.

The Company entered into an inter-company recharging agreement with Greenhill whereby on the transfer of shares by Greenhill to employees of the Company and its subsidiaries, pursuant to the plan, the Company reimburses Greenhill for an amount based on the fair market value of each RSU award which has vested.

Investments

The Company holds its investments in subsidiary undertakings at historical cost and recognises any distributions received from its subsidiaries as turnover. The investment in subsidiaries is assessed annually for impairment and where there is objective evidence that the investment is impaired, the impairment is charged to the income statement.

The Company holds its preferred share investment in an affiliate at historical cost. As per FRS102.11.14D, investments in preference shares should be measured at cost less impairment if the shares are not publicly traded or the fair value cannot otherwise be reliably measured.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. All differences are taken to the income statement and presented in administrative expenses.

Taxation

Provision is made for United Kingdom corporation tax at the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date on the excess of taxable income over allowable expenses.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in periods in which timing differences reverse based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Provisions

Specific provisions represent the quantification of actual and expected losses from identified accounts. The amounts of the specific provision are the Company's estimate of amounts needed to reduce the carrying value of the asset to the expected net realisable value, taking into account the financial status of the Company. There were no such provisions made for the year ended 31 December 2018 or 31 December 2017.

Related party transactions

As per FRS102.33.1A, the Company has not disclosed transactions with its parent, Greenhill, and with its subsidiaries, on the basis that the Company and its subsidiaries are wholly-owned members of the Greenhill group.

2. Turnover

Turnover represents profit share distributions from investments in subsidiaries, which are accounted for as described in Note 1, and is for the provision of advisory services conducted in Europe (United Kingdom, Germany and Spain). Profit share distributions may vary year to year based on the profitability of each subsidiary and the corporate needs of the Company. Corporate advisory serviced turnover also represents revenue earned or losses incurred on investments as a result of marking such investments to market or realising such gains or losses through sale.

Since the financial markets are global in nature, the Company generally manages its business based on the operating results of the enterprise taken as a whole, not by geographic region. For reporting purposes, the geographic region is Europe and the investment banking activity of the Company's subsidiaries' constitute a single business segment.

3. Operating profit

This is stated after charging:

	2018	2017
	£000	£000
Interest expense	456	379
Auditor's remuneration - audit of the financial statements	15	22
Professional fees	87	51
Foreign exchange (gains) / losses	118	(15)

4. Staff costs

	2018	2017
	£000	£000
Social security costs	339	957
Share-based payments	4,689	4,142
Dividends on share-based payments, net of clawbacks	116	821
	<u>5,144</u>	<u>5,920</u>

The equity settled component of the above share-based expense amounted to £1,975,220 (2017 - £3,171,446).

5. Directors' emoluments

	2018	2017
	£000	£000
The remuneration of the directors of Greenhill & Co. Europe Holdings Ltd comprised:		
Aggregate emoluments in respect of qualifying services	11,467	5,492
Aggregate of partnership contributions paid in respect of defined contribution pension schemes	14	14
Aggregate amounts receivable under restricted stock unit schemes (cash-settled component)	1,129	2,754

Directors' emoluments largely comprise amounts paid by subsidiaries in both the current and prior year.

	2018	2017
	£000	£000
Highest paid director's remuneration		
Emoluments in respect of qualifying services	3,404	2,017
Amounts received under restricted stock unit schemes	339	819
Awards made under the equity incentive plan		
Number of members who received shares under the restricted stock unit plan	9	10
Number of members who accrued benefits under defined contribution pension schemes	1	1

6. Restricted stock units (RSUs)

The directors of the Company participate in an equity incentive plan of Greenhill, to motivate its employees and allow them to participate in the ownership of its stock. Under the plan, RSUs, which represent a right to a future payment equal to one share of Greenhill's common stock, may be awarded to the directors. Awards granted under the plan generally vest ratably over a period of four to five years beginning on the first anniversary of the grant date or for certain awards in full on the fourth or fifth anniversary of the grant date. To the extent the RSUs are outstanding at the time a dividend is paid on the common stock, a dividend equivalent amount is paid to the holders of the RSUs. In the event that the holder's employment is terminated under circumstances in which units awarded under the plan are forfeited, any dividend equivalent payments related to such forfeiture, which are unvested for accounting purposes, are required to be repaid.

RSUs are issued to directors under the equity incentive plan, primarily in connection with annual bonus awards and compensation agreements for new hires. In accordance with the requirements of FRS 102, share based payments are recorded as a charge to compensation expense. Such payments comprise of both an equity-settled component and a cash-settled component, the latter arising because the employee has the option to utilize part of the award to settle the associated withholding tax liability rather than receive the full award in the form of shares. For the equity-settled component, compensation expense is determined at the date of the grant with a corresponding equity contribution from Greenhill. For the cash-settled component, compensation expense is re-measured at each reporting date with reference to current market values, with a corresponding liability. The fair value of the share based payments with future service requirements are generally amortised over a four to five-year service period following the date of grant applying straight-line amortisation separately to each individual tranche. The Company records dividend equivalent payments, net of clawbacks on outstanding restricted stock units, as compensation.

The number of units awarded in 2018 was 286,930 (2017 - 292,218) with a weighted average fair value of £15.50 (2017 - £16.93). The fair value is based on the market price of Greenhill's shares at the grant date. The Company recognised a total RSU expense, net of forfeitures, of £4,689,000 during the year ended 31 December 2018 (2017 - £4,142,000). For the year ended 31 December 2018, the Company recorded expense related to dividend equivalents, net of clawbacks amounting to £116,000 (2017 - £821,000).

The Company entered into an inter-company recharging agreement with Greenhill whereby on the transfer of shares by Greenhill to employees of the Company and its subsidiaries, pursuant to the plan, the Company reimburses Greenhill for an amount based on the fair market value of each RSU award which has vested.

7. Tax on profit on ordinary activities

	2018	2017
	£000	£000
(a) Analysis of tax charge for the year		
<i>Current tax:</i>		
UK corporation tax on profits of the current year	7,725	—
Prior year adjustment	(1,306)	(560)
Deferred tax	1,387	(365)
Total tax charge (benefit)	7,806	(925)

(b) Factors affecting the tax charge for the year

The tax assessed on the profit from ordinary activities for the year ended 31 December 2018 is lower than (2017: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

	2018	2017
	£000	£000
Profit on ordinary activities	38,444	5,209
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% for 2018 (2017 - 19.25%)	7,304	1,003
<i>Effects of:</i>		
Prior year adjustments - current tax	(1,306)	(560)
Prior year adjustments - deferred tax	1,111	(6)
Partnership earnings not to be remitted	(181)	(1,894)
Expenses not deductible for tax purposes	809	467
Effect of tax rate change	—	65
Double Tax relief for overseas tax	69	—
Total tax charge (benefit) for the year	7,806	(925)

8. Investments

	<u>£000</u>
<i>Company:</i>	
Cost:	
At 1 January 2018	3,175
Additions	4,433
At 31 December 2018	<u>7,608</u>

The following are the principal subsidiary undertakings of the Company as of the close of business 31 December 2018:

<i>Name of subsidiary</i>	<i>Country of Incorporation and operation</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>
Greenhill & Co. International LLP	UK	Partnership	99%	Broker
Greenhill & Co. Europe LLP	UK	Partnership	99%	Broker
Greenhill & Co. Cayman Limited	Cayman Islands	Ordinary shares	100%	Service providers
Greenhill & Co. Spain Limited	Spain	Ordinary shares	100%	Broker
Greenhill Cogent Europe, LLP	UK	Partnership	99%	Broker

The Company also owns preferred shares in Greenhill & Co. Australia Pty Limited, a broker that is incorporated in and operates in Australia.

9. Due from affiliates

At 31 December 2018 and 31 December 2017, the Company had due from affiliates receivable balances of £11,165,423 and £16,364,941, respectively. The receivable balances were with Greenhill & Co. do Brasil Assessoria Ltda. ("Greenhill Brazil"), Greenhill & Co. Australia Ltd. ("Greenhill Australia"), Greenhill & Co. Japan Ltd. ("Greenhill Japan"), and Greenhill & Co. Canada Ltd ("Greenhill Canada"), which are separate subsidiaries of Greenhill. The receivable balances are repayable on demand and guaranteed by the Company's parent. Loans that the Company does not intend to request repayment of before 31 December 2019 are classified as amounts falling due after one year on the statement of financial position, however if the amounts due to subsidiaries and affiliates were requested at an earlier date, payment of the amounts due from affiliates may also be requested. Interest is calculated based on the principal balance and the agreed upon interest rate set in the loan agreement.

10. Deferred tax

The deferred tax included in the balance sheet is as follows:

	2018	2017
	<u>£000</u>	<u>£000</u>
Share-based payments	1,907	1,570
Tax losses carried forward	—	1,151
Depreciation/capital allowances	131	128
Unremitted partnership earnings	830	1,431
Deferred compensation	474	449
Provision for deferred tax	<u>3,342</u>	<u>4,729</u>

	2018	2017
	£000	£000
As at 1 January	4,729	4,364
Arising during the year	(1,318)	430
Effect of tax rate change	(69)	(65)
As at 31 December	<u>3,342</u>	<u>4,729</u>

The deferred tax asset principally relates to the temporary differences on emoluments and unremitted partnership earnings. Of the deferred tax asset of £3,342,143, £1,877,291 is expected to reverse during the year ended 31 December 2019.

During 2018 the Company utilized £1,941 of previously unrecognized deferred tax related to a capital loss carryforward.

No deferred tax is recognised with respect to the capital loss carryforward, as it is not foreseeable that the Company will incur future capital gains against which the capital loss can be utilized. The unrecognized deferred tax asset is £1,418,720 as at 31 December 2018 (2017 - £1,419,050).

The Finance Act (No. 2) 2015, substantively enacted on 26 October 2015 and enacted on 18 November 2015, included a decrease in corporation tax rates to 19% from 1 April 2017. Additionally, the Finance Act 2016, enacted on 15 September 2016, included a decrease in corporation tax rates to 17% from 1 April 2020. Deferred tax balances have been calculated at the rate at which the balances are expected to be settled, based on tax rates that have been substantively enacted at the balance sheet date. The effect of this rate change in the current year is shown above.

11. Creditors

	2018	2017
	£000	£000
Other creditors	162	30
Corporation tax	1,685	—
Amount due to subsidiaries & affiliates	9,205	17,331
Cash-settled component of share based payments falling due within one year	1,985	1,121
Amounts falling due within one year	<u>13,037</u>	<u>18,482</u>
Cash-settled component of share based payment falling due in greater than one year	1,982	1,432
Total creditors	<u>15,019</u>	<u>19,914</u>

Creditor amounts falling due within one year are all short term in nature, and therefore the carrying value approximates fair value. Amounts due to subsidiaries and affiliates are payable on demand and therefore classified as amounts falling due within one year on the statement of financial position. Interest is calculated based on the principal balance and the agreed upon interest rate set in the loan agreement.

For the cash-settled component of share based payment falling due in greater than one year, the liability is re-measured at each reporting date with reference to current market values, which approximates fair value.

12. Pension commitments

The Company operates a defined contribution scheme for certain members. Contributions to the scheme are paid as they become due in accordance with the rules of the scheme. The Company incurred expenses of £13,852 during the year ended 31 December 2018 (2017: £13,852), and there is no outstanding liability as of 31 December 2018.

13. Share capital and dividends

	<i>Authorised, allotted, called up and fully paid</i>	
	<i>2018</i>	<i>2017</i>
	<i>£000</i>	<i>£000</i>
65,500,000 ordinary shares of £0.01 each	<u>500</u>	<u>500</u>

All shares have one vote and participate equally in the event of the winding up of the Company.

In the year ended 31 December 2018, dividends of £29,678,000 were distributed to Greenhill (2017 - nil).

14. Risk management objectives and policies

The Company is exposed, through the operations of its subsidiaries, to operational, credit, liquidity, currency, and interest rate risks. The policy for managing each of these risks is below:

Operational risk

The Company defines operational risk as risk of loss resulting from inadequate internal processes, people and systems, or from external events, including risk of damage through loss of reputation or standing. The Company is committed to regulatory compliance and has developed policies and procedures in order to stay abreast of regulatory developments. The Company preserves its reputation by ensuring compliance with regulations and ethical standards, attracting and retaining talented staff and providing accurate and timely execution of contractual obligations.

Credit risk

Credit risk is the exposure to the possibility of financial loss resulting from a client's failure to meet its financial obligations. As the Company, through the operations of its subsidiaries, is in the business of offering advisory services in connection with corporate transactions, credit risk does not normally arise in the normal course of business. For non-trade related advances, credit checks are undertaken prior to the transactions being entered into.

Liquidity risk

The Company deems liquidity risk as the failure to have sufficient financial resources to meet its day to day capital and cash flow requirements. To mitigate liquidity risk, the Company has implemented cash management policies to ensure that there are strict guidelines to follow in relation to the products and the duration that surplus funds can be invested.

The Company maintains cash in institutions with high credit ratings. At December 2018 the Company had cash balances of £187,000 (2017 - £643,000). In the event of a significant deterioration of the credit markets or the failure of one or more banking institutions, there can be no assurance that the Company will be able to access its cash. Our inability to access our cash could have a material adverse effect on our liquidity.

Currency risk

Currency risk arises as the Company derives revenue from operations outside of the UK, whereas the statement of financial position is denominated in GBP. Management mitigates this risk by constantly monitoring currency exposures and aiming to mitigate currency risk by ensuring that revenues and intercompany balances arising in currencies other than GBP are settled in GBP on a regular basis.

Interest rate risk

The Company's interest rate risk is derived from interest bearing deposits in which the Company and its subsidiaries invest surplus funds. Management monitors interest rate risk by placing funds in overnight deposits, longer period deposits, and on a floating rate basis. Management conducts market analysis of interest rate expectations before placing amounts.

Political risk

On June 23, 2016, the U.K. voted in favour of a referendum to leave the European Union, commonly referred to as "Brexit". On March 29, 2017, the U.K. invoked Article 50 of the Lisbon Treaty, which triggered a two-year period (subject to extension by unanimous approval of the European Union member states) for the U.K. and European Union to negotiate the terms of the U.K.'s withdrawal. The U.K. and European Union negotiated and proposed a form of withdrawal agreement; however, the U.K. parliament has repeatedly rejected the proposed agreement, and any alternative withdrawal agreement remains subject to approval by the U.K. parliament and European Union member states. The U.K. and European Union agreed to extend the Article 50 negotiation period until October 31, 2019. The nature of the arrangements between the U.K. and the European Union are yet to be determined and difficult to predict. Uncertainty regarding the outcome of any withdrawal agreement and negotiations between the U.K. and European Union means there is a risk that these arrangements may not be ready for implementation by the end of October 2019, or that the U.K. leaves the European Union without an agreement in place (commonly referred to as a "no-deal Brexit"). Ongoing uncertainty regarding such arrangements may continue for a significant period of time (especially if a no-deal Brexit occurs) and could adversely affect European and worldwide economic and market conditions, contribute to instability in global financial and foreign exchange markets, and introduce significant legal uncertainty and potentially divergent national laws and regulations.

An exit by the U.K. from the European Union will likely cause our U.K. entities to lose their European Union financial services passport license, which allows them to operate, on a cross-border and off-shore basis, into all European Union countries without obtaining regulatory approval outside of the U.K., which would increase our legal, compliance and operational costs. While we have incorporated a new German entity in 2019, our ability to provide certain investment banking services throughout the European Union remains subject to regulatory approval. Absent the implementation of temporary permissions to enable us to continue certain parts of our business, delays in, or denial of, regulatory approval would negatively affect our results of operations and business prospects, and may require us to make material changes to our European operations, resulting in a less efficient operating model across our European legal entities in the interim period.

15. Ultimate controlling parties

The Company's immediate and ultimate holding company is Greenhill & Co., Inc., incorporated in the United States of America. Greenhill has included the Company in its group financial statements, copies of which may be obtained from its registered office, 300 Park Avenue, New York, NY 10022, United States of America.

16. Subsequent events

In conjunction with an internal reorganization, the following individuals resigned as directors of the Company on 30 June 2019, each upon simultaneous resignation from the partnership of GCI LLP: D. Barrett-Lennard, C. Bosco, J. Dann, C. Gournay, R. Hill, H. Tidbury, S. Moorhead and E. Welsh. The resignations were connected to the execution of the various Deeds of Cessation that were approved by the board on 28 June 2019. Notification has been made to Companies House to record such resignations.