

Alvarez & Marsal Financial Industry Advisory Services LLP

Annual report

For the year ended 31 December 2017



Alvarez & Marsal Financial Industry Advisory Services LLP

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Alvarez & Marsal Financial Industry Advisory Services LLP

LLP Information

Designated members Alvarez & Marsal Europe Holdings Limited
Antonio M Alvarez III

LLP number OC338317

Registered office Tower Bridge House
St. Katharine's Way
London
E1W 1DD

Principal places of business 1st Floor
One Finsbury Circus
London
EC2M 7EB

20 Harcourt Street
Dublin 2
Republic of Ireland

Statutory auditor Mazars LLP
Tower Bridge House
St. Katharine's Way
London
E1W 1DD

Alvarez & Marsal Financial Industry Advisory Services LLP

Strategic report

For the year ended 31 December 2017

The strategic report provides a review of the business of the LLP during the financial year and describes the steps taken by the members to identify and manage the risks facing the partnership.

The report outlines the developments and performance of the LLP during the financial year, the position at the end of the year and significant events and other factors thereafter that could affect future performance.

Principal activities

The principal activity of the LLP, which has remained unchanged during the year under review, is the provision of business and management consultancy services.

Review of the business and key performance indicators

The LLP has continued to expand and enhance its client and contact portfolios and its reputation within the United Kingdom and European business consultancy markets. Turnover has fallen compared with the previous year but the LLP has operated profitably during the year under review.

During the year, the ultimate parent undertaking carried out a review of the financing of its subsidiary undertakings and decided to waive indebtedness of €4,276,425 (2016: €nil) owing by the LLP. This waiver resulted in the LLP generating additional profits to allocate to its members and in the release in full of all provisions previously made for irrecoverable amounts drawn by those members.

The profit of the LLP for the year was €3,600,603 (2016: €1,055,719) and at 31 December 2017 net assets attributable to members amounted to €2,800 (2016: net liabilities €3,597,603). In light of these figures and to ensure that the LLP is able to meet its liabilities as they fall due, group undertakings have indicated that they will continue to provide sufficient financial support as is necessary for the foreseeable future.

During the year, the procedures adopted by the members to assess the success of the business have included the regular monitoring of the following key performance indicators:

- cash balances and collections,
- overheads,
- head count and staff costs,
- pitches made and new business won.

The members are satisfied with the results for the year and intend to continue to pursue the LLP's activities and to further develop and exploit the growing reputation that the LLP enjoys in the market place.

Financial risk management

The LLP's activities expose it to a variety of financial risks including foreign exchange risk, interest rate risk and credit risk. The LLP participates in policies developed and implemented for the group as a whole by the ultimate parent undertaking to monitor and control these risks.

Given the size of the LLP, the members have not delegated the responsibility of monitoring financial risk management to a sub-committee. The group's finance department implements the policies set by the members.

Alvarez & Marsal Financial Industry Advisory Services LLP

Strategic report - continued

For the year ended 31 December 2017

Financial risk management (continued)

Credit risk

The group has implemented policies that frequently require customers to make retainer payments before new accounts are accepted.

The LLP does not use derivative financial instruments to manage credit risk and, as such, no hedge accounting is applied.

The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the members.

Foreign exchange risk

The LLP operates in a number of currencies and is exposed to exchange rate fluctuations. This risk is assessed on an ongoing basis. The LLP does not use derivative financial instruments to manage currency exposure and, as such, no hedge accounting is applied.

Interest rate cash flow risk

The group has in place a risk management programme that seeks to limit adverse effects on financial performance by monitoring levels of debt finance and the related finance costs when applicable. The LLP does not use derivative financial instruments to manage interest rate cash flow risk and, as such, no hedge accounting is applied.

The group holds interest bearing assets including LLP bank balances that receive interest income at a variable rate. The risks arising from holding such assets are regularly reviewed by the members.

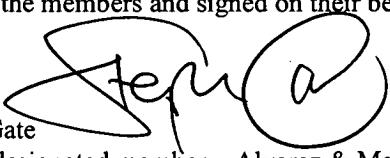
Other financial risks

In a referendum on 23 June 2016 the British public expressed a desire for the country to formally resign its membership of the European Union. As negotiations progress, it is impossible to assess in detail the opportunities and threats that such a resignation could present, and uncertainties are likely to continue for several years to come. The members are managing these risks by closely monitoring the position and are confident that the LLP will be able to amend and modify its procedures to remain fully compliant with any new rules and regulations and to maintain the partnership's standing and reputation in the marketplace locally and, where appropriate, throughout Europe and worldwide.

Significant post balance sheet events

The members are not aware of any significant post balance sheet events that could affect the future performance of the partnership.

Approved by the members and signed on their behalf by:


Stephen R Gate

Director of designated member – Alvarez & Marsal Europe Holdings Limited

Date: 28 September 2018

Alvarez & Marsal Financial Industry Advisory Services LLP

Members' report

For the year ended 31 December 2017

The members present their report and the audited financial statements for the year ended 31 December 2017.

Branches outside the United Kingdom

During the year the LLP operated a branch office in the Republic of Ireland. The LLP does not operate any other branches outside the United Kingdom.

Designated members

The following designated members have held office since 1 January 2017:

Alvarez & Marsal Europe Holdings Limited
Antonio M Alvarez III

Members' interests and policy on members' drawings

The members have agreed a Members' Drawings Plan. Any profits or losses not allocated to other members under the Members' Drawings Plan and all capital profits and losses are allocated to Alvarez & Marsal Europe Holdings Limited.

Alvarez & Marsal Europe Holdings Limited has made a capital contribution to the LLP of €1,000. The capital contribution of all other members is €300 each. There is no interest on members' capital and current account balances.

No amounts have been transferred from members' capital to debts due to members during the year ended 31 December 2017.

Employee involvement

The members recognise the importance of employee involvement established by good communications and working relationships. Employees are kept well informed about the progress and position of both the LLP and the group as a whole by regular departmental meetings and electronic briefings.

Employment policies

It is LLP policy to afford equal opportunities to all employees and job applicants and all appointments and promotions are determined solely by merit.

It is also LLP policy to encourage and assist in the employment, training, re-training and career development of disabled persons where possible, having regard to their suitability for a particular vacancy and the nature of the LLP's activities. In the event that employees become disabled during employment, the LLP will, where possible, continue their employment and arrange appropriate training.

Alvarez & Marsal Financial Industry Advisory Services LLP

Members' report - continued

For the year ended 31 December 2017

Statement of members' responsibilities in respect of the financial statements

Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, requires the members to prepare financial statements for each financial period. Under those regulations the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 LLP and of the profit or loss of the LLP 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

Under company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with those regulations. The members have a general responsibility for safeguarding the assets of the LLP and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The responsibilities are exercised by the designated members on behalf of the members.

Auditor

Mazars LLP have expressed their willingness to continue in office.

Disclosure of information to auditor

- so far as each member is aware, there is no relevant audit information of which the LLP's auditor is unaware, and
- the members have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

Approved by the members and signed on their behalf by:

Stephen R Gate

Director of designated member – Alvarez & Marsal Europe Holdings Limited

Date: 28 September 2018

Alvarez & Marsal Financial Industry Advisory Services LLP

Independent auditor's report

To the members of Alvarez & Marsal Financial Industry Advisory Services LLP

Opinion

We have audited the financial statements of Alvarez & Marsal Financial Industry Advisory Services LLP (the 'limited liability partnership') for the year ended 31 December 2017 which comprise the Statement of Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and notes to the financial statements, 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 and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

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. We are independent of the limited liability partnership 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 members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership'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.

Alvarez & Marsal Financial Industry Advisory Services LLP

Independent auditor's report

To the members of Alvarez & Marsal Financial Industry Advisory Services LLP

Other information

The members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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
- we have not received all the information and explanations we require for our audit.

Responsibilities of members

As explained more fully in the members' responsibilities statement set out on page 5, the members 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 members 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 members are responsible for assessing the limited liability partnership'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 members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Alvarez & Marsal Financial Industry Advisory Services LLP

Independent auditor's report

To the members of Alvarez & Marsal Financial Industry Advisory Services LLP

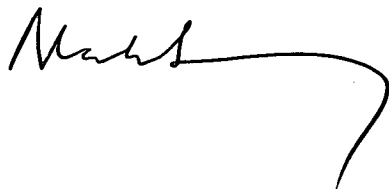
Auditor's responsibilities for the audit of the financial statements

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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the limited liability partnership'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 limited liability partnership'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 limited liability partnership and the limited liability partnership's members as a body for our audit work, for this report, or for the opinions we have formed.



William Neale Bussey (Senior Statutory Auditor)

For and on behalf of Mazars LLP,
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London
E1W 1DD

Date: 28 September 2018

Alvarez & Marsal Financial Industry Advisory Services LLP

Statement of total comprehensive income

For the year ended 31 December 2017

	Notes	2017 €	€	2016 €	€
Turnover	3	12,059,250		14,759,266	
Administrative expenses		(10,170,107)		(11,954,202)	
Other operating income					
Release of provision for irrecoverable amounts drawn by members		3,600,603		1,055,719	
Indebtedness waived by ultimate parent undertaking		4,276,425		-	
		<u>7,877,028</u>		<u>1,055,719</u>	
Operating profit	4	9,766,171		3,860,783	
Interest receivable and similar income	7	-		5	
Interest payable and similar charges	8	(1,811)		(27)	
		<u>9,764,360</u>		<u>3,860,761</u>	
Profit on ordinary activities before taxation		9,764,360		3,860,761	
Tax on profit on ordinary activities	9	-		-	
Profit on ordinary activities before members' remuneration and profit shares		9,764,360		3,860,761	
Members' remuneration charged as an expense	10	(6,163,757)		(2,805,042)	
Profit on ordinary activities after members' remuneration charged as an expense		3,600,603		1,055,719	
Other comprehensive income		-		-	
Total comprehensive income for the financial period available for discretionary division among members		<u>3,600,603</u>		<u>1,055,719</u>	

The statement of total comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 15 to 27 form an integral part of these financial statements

Alvarez & Marsal Financial Industry Advisory Services LLP**Balance sheet***As at 31 December 2017*

		2017		2016 (as restated)	
	Notes	€	€	€	€
Fixed assets					
Tangible assets	11		3,538		8,201
Current assets					
Debtors	12	2,772,191		5,226,484	
Cash at bank and in hand		<u>199,828</u>		<u>391,471</u>	
		2,972,019		5,617,955	
Creditors: amounts falling due within one year	13	<u>(2,972,757)</u>		<u>(9,223,659)</u>	
Net current liabilities			<u>(738)</u>		<u>(3,605,704)</u>
Total assets less current liabilities			2,800		(3,597,503)
Creditors: amounts falling due after more than one year			-		-
Net assets / (liabilities) attributable to members			<u>2,800</u>		<u>(3,597,503)</u>
REPRESENTED BY:					
Loans and other debts due to members within one year					
Members' capital classified as a liability			2,800		3,100
Other amounts			-		-
					3,100
Members' other interests					
Members' capital classified as equity			-		-
Other reserves classified as equity			-		(3,600,603)
			<u>2,800</u>		<u>(3,597,503)</u>
TOTAL MEMBERS' INTERESTS					
Amounts due from members			(365,700)		(527,201)
Loans and other debts due to members within one year			2,800		3,100
Members' other interests			-		(3,600,603)
TOTAL MEMBERS' INTERESTS	15		<u>(362,900)</u>		<u>(4,124,704)</u>

The financial statements were approved and authorised for issue by the Members of Alvarez & Marsal Financial Industry Advisory Services LLP and were signed on their behalf by:

Stephen R Gate

Director of designated member - Alvarez & Marsal Europe Holdings Limited

Date: 28 September 2018

Then notes on pages 15 to 27 form an integral part of these financial statements

Alvarez & Marsal Financial Industry Advisory Services LLP

Statements of changes in equity (as restated) For the Year ended 31 December 2017

	EQUITY			DEBT			Total members' interests
	Members' other interests			Loans and other debts due to members less any amounts due from members included in debtors			
	Members' capital (classified as equity)	Other reserves	Total	Members' capital (classified as debt)	Other amounts	Total	
	€	€	€	€	€	€	€
Total members interests at 1 January 2016, as previously reported	-	(4,656,322)	(4,656,322)	2,200	1,860,314	1,862,514	(2,793,808)
Reclassification of amounts due to the ultimate parent undertaking wrongly disclosed as owing to members	-	-	-	-	(1,861,314)	(1,861,314)	(1,861,314)
Total members interests at 1 January 2016, as restated	-	(4,656,322)	(4,656,322)	2,200	(1,000)	1,200	(4,655,122)
Capital introduced by members during the year ended 31 December 2016	-	-	-	1,200	(1,200)	-	-
Capital withdrawn by members during the year ended 31 December 2016	-	-	-	(300)	-	(300)	(300)
Other advances (to) / from members during the year ended 31 December 2016	-	-	-	-	(525,001)	(525,001)	(525,001)
Members' remuneration charged as an expense during the year ended 31 December 2016	-	-	-	-	2,805,042	2,805,042	2,805,042
Drawings during the year ended 31 December 2016	-	-	-	-	(1,749,323)	(1,749,323)	(1,749,323)
Release of provision for irrecoverable amounts drawn during the year ended 31 December 2016	-	1,055,719	1,055,719	-	(1,055,719)	(1,055,719)	-
Total members interests at 31 December 2016	-	(3,600,603)	(3,600,603)	3,100	(527,201)	(524,101)	(4,124,704)

Alvarez & Marsal Financial Industry Advisory Services LLP

Statements of changes in equity (continued) For the Year ended 31 December 2017

	EQUITY			DEBT			Total members' interests
	Members' other interests			Loans and other debts due to members less any amounts due from members included in debtors			
	Members' capital (classified as equity)	Other reserves	Total	Members' capital (classified as debt)	Other amounts	Total	
	€	€	€	€	€	€	€
Total members interests at 1 January 2017	-	(3,600,603)	(3,600,603)	3,100	(527,201)	(524,101)	(4,124,704)
Capital introduced by members during the year ended 31 December 2017	-	-	-	-	1,200	1,200	1,200
Capital withdrawn by members during the year ended 31 December 2017	-	-	-	(300)	300	-	-
Other advances (to) / from members during the year ended 31 December 2017	-	-	-	-	160,001	160,001	160,001
Members' remuneration charged as an expense during the year ended 31 December 2017	-	-	-	-	6,163,757	6,163,757	6,163,757
Drawings during the year ended 31 December 2017	-	-	-	-	(2,563,154)	(2,563,154)	(2,563,154)
Release of provision for irrecoverable amounts drawn during the year ended 31 December 2017	-	3,600,603	3,600,603	-	(3,600,603)	(3,600,603)	-
Total members interests at 31 December 2017	-	-	-	2,800	(365,700)	(362,900)	(362,900)

Alvarez & Marsal Financial Industry Advisory Services LLP

Cash flow statement

For the Year ended 31 December 2017

	Notes	2017 €	€	2016 (as restated) €	€
Net cash flows from operating activities	1		(350,996)		178,120
Cash flows from investing activities					
Purchase of tangible fixed assets		(37)		(7,715)	
Proceeds from sale of tangible fixed assets		-		-	
Interest received		-		5	
Interest paid		(1,811)		(27)	
Net cash (outflow) from investing activities			(1,848)		(7,737)
Cash flows from financing activities					
Transactions with members					
Contributions by members		1,200		-	
Repayment of members' contributions		-		(300)	
Advances from / (to) members		160,001		(525,001)	
		161,201		(525,301)	
Other cash flows from financing activities		-		-	
Net cash flow from financing activities			161,201		(525,301)
Net (decrease) in cash and cash equivalents			(191,643)		(354,918)
Cash and cash equivalents at 1 January 2017			391,471		746,389
Cash and cash equivalents at 31 December 2017			199,828		391,471
<i>Cash and cash equivalents comprises:</i>					
Cash at bank and in hand at 31 December 2017			199,828		391,471
Cash equivalents			-		-
Cash and cash equivalents at 31 December 2017			199,828		391,471

Alvarez & Marsal Financial Industry Advisory Services LLP

Notes to the cash flow statement

For the year ended 31 December 2017

1	Reconciliation of operating profit to net cash (absorbed) / generated by operating activities	2017	2016
		€	(as restated) €
	Operating profit	9,766,171	3,860,783
	Release of provision for irrecoverable amounts drawn by members	(3,600,603)	(1,055,719)
	Indebtedness waived by ultimate parent undertaking	(4,276,425)	-
	UK corporation tax paid	-	-
	Overseas tax paid	-	-
	Depreciation of tangible fixed assets	4,700	5,578
	Profit on disposal of tangible fixed assets	-	-
	Operating cash flow before movement in working capital and transactions with members	1,893,843	2,810,642
	Decrease / (increase) in debtors	2,292,792	(2,593,581)
	(Decrease) / increase in creditors	(1,974,477)	1,710,382
	Net cash generated / (absorbed) by operations before transactions with members	2,212,158	1,927,443
	Members' drawings	(2,563,154)	(1,749,323)
	Net cash (absorbed) / generated by operations	(350,996)	178,120

2 Major non-cash transactions

During the year ended 31 December 2017, the ultimate parent company waived amounts owing by the LLP totalling €4,276,425 (2016: €nil). There were no other material non-cash transactions during the year.

Alvarez & Marsal Financial Industry Advisory Services LLP

Notes to the financial statements

For the year ended 31 December 2017

General information

Alvarez & Marsal Financial Industry Advisory Services LLP is a limited liability partnership registered in the United Kingdom under the Limited Liability Partnerships Act 2000. The nature of the LLP's operations and its principal activities are set out in the strategic report on pages 2 and 3 and in the members' report on pages 4 and 5. The addresses of the principal places of business and the LLP's registered office are set out on page 1.

1 Accounting Policies

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

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) issued by the Financial Reporting Council and with the revised Statement of Recommended Accounting Practice, "Accounting by Limited Liability Partnerships", published on 26 January 2017 by the Consultative Committee of Accountancy Bodies.

The functional currency of Alvarez & Marsal Financial Industry Advisory Services LLP is considered to be the Euro because this is the currency of the primary economic environment in which the business operates. Foreign currencies are included in accordance with the policies set out below.

1.2 Comparative figures

During the year, the ultimate parent undertaking, Alvarez & Marsal Holdings LLC, carried out a review of the financing that it was providing to its subsidiary undertakings and decided to strengthen the financial position of the LLP by waiving part of the amount of intercompany indebtedness. As a result of this decision, it became apparent that in earlier years, this financing provided to the LLP was incorrectly shown as owing by the LLP to its immediate parent company, Alvarez & Marsal Europe Holdings Limited and other fellow subsidiary undertakings rather than by the LLP to the ultimate parent company direct. This error has now been corrected and comparative figures have been restated accordingly.

This restatement has had no effect on the LLP's statement of total comprehensive income for the year ended 31 December 2016 or 2015. The effects of this restatement on the LLP's net assets attributable to members and on the members' total interests were as follows:

	2016	2015
	€	€
Net assets / (liabilities) attributable to members, as previously reported	739,256	(2,793,808)
Reclassification of amounts due to the ultimate parent undertaking wrongly disclosed as owing to members	(4,336,759)	(1,860,314)
Net liabilities attributable to members, as restated	(3,597,503)	(4,654,122)
Total members' interests, as previously reported	440,513	(2,793,808)
Reclassification of amounts due to the ultimate parent undertaking wrongly disclosed as owing to members	(4,565,217)	(1,861,314)
Total members' interests, as restated	(4,124,704)	(4,655,122)

Alvarez & Marsal Financial Industry Advisory Services LLP

Notes to the financial statements (continued)

For the year ended 31 December 2017

1 Accounting Policies (continued)

1.3 Going concern

The LLP's business activities, together with factors likely to affect its future development, performance and position are set out in the strategic report on pages 2 and 3.

The LLP has operated profitably during the year under review, but to ensure that it is able to meet its liabilities as they fall due, group undertakings have indicated that they will continue to provide sufficient financial support as is necessary for the foreseeable future. The members are therefore of the view that it is appropriate to prepare financial statements on a going concern basis.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows: -

Leasehold land and buildings	over the shorter of the lease term or 5 years
Plant and machinery	over 3 years
Fixtures, fittings and equipment	over 3 years

Residual value represents the amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

1.5 Financial instruments

The LLP applies the recognition and measurement provisions of Sections 11 and 12 of FRS102. Financial assets and liabilities are recognised when the LLP becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the LLP after deducting all liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Non-current debt instruments are subsequently measured at amortised cost using the effective interest method. Debt instruments that are classified as payable or receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Alvarez & Marsal Financial Industry Advisory Services LLP

Notes to the financial statements (continued)

For the year ended 31 December 2017

1 Accounting Policies (continued)

1.5 Financial instruments (continued)

Financial assets are derecognised when and only when the contractual rights to the cash flows from the financial asset expire or are settled, the LLP transfers substantially all of the risks and rewards of ownership of the financial asset to another party, or the LLP, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments

Investments held as fixed assets are shown at cost less provision for impairment.

Equity instruments

Equity instruments issued by the LLP are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

1.6 Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit and loss account.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable amount does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable amount does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Alvarez & Marsal Financial Industry Advisory Services LLP

Notes to the financial statements (continued)

For the year ended 31 December 2017

1 Accounting Policies (continued)

1.7 Turnover and revenue recognition

Turnover is stated net of VAT and trade discounts. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date, turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from clients in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

1.8 Members' remuneration

Profits of the LLP for all accounting periods are automatically allocated between members in accordance with the provisions of the LLP Agreement. As required by the revised Statement of Recommended Practice, "Accounting by Limited Liability Partnerships", published in January 2017, the allocation of the LLP's profits is recognised on the face of the statement of total comprehensive income as "members' remuneration charged as an expense".

Losses of the LLP for all accounting periods are automatically allocated between members in accordance with the provisions of the LLP Agreement and are classified as members' equity interests on the face of the balance sheet and in the statements of changes in equity. Losses classified as members' equity interests are not legally recoverable from members under the terms of the LLP Agreement, but are released and offset against future profits as they are allocated to those specific members.

Profits allocated to members in excess of amounts drawn are carried forward in the balance sheet as liabilities owed to members. Amounts drawn by members in excess of allocated profits are carried forward in the balance sheet as amounts due from members. A provision is made against members' balances which are not legally recoverable in accordance with the LLP Agreement.

1.9 Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to enter into an operating lease are recognised on a straight line basis over the lease term.

1.10 Taxation

The taxable profits of the LLP are assessed on the members personally. The LLP is not therefore liable to tax in the UK on trading profits or investment income and no provision is made in the financial statements for the members' personal taxation and deferred taxation liabilities.

The LLP's branch in the Republic of Ireland is liable to Irish corporation tax on its profits arising in that country. Full provision is made in the LLP's financial statements for all Irish corporation tax.

Other foreign taxes, including overseas withholding taxes deducted by clients on settlement of the LLP's fees, are recognised as a tax charge in the statement of total comprehensive income to the extent that they cannot be recovered from the appropriate authorities.

Alvarez & Marsal Financial Industry Advisory Services LLP

Notes to the financial statements (continued)

For the year ended 31 December 2017

1 Accounting Policies (continued)

1.11 Pensions

Members of the LLP are required to make their own provisions for pensions from their profit shares.

The LLP contributes to defined contribution pension policies held individually by employees. Contributions to employees' policies are charged to the profit and loss account as and when they fall due.

1.12 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Euro at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into Euro at the rate of exchange ruling at the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

The principal exchange rates used at the balance sheet date were €1 = £0.8885 (2016: €1 = £0.8527) and €1 = US\$ 1.1998 (2016: €1 = US\$ 1.0526).

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of its accounting policies, the LLP is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

During the period to 31 December 2017, the critical judgements made by the LLP in applying its accounting policies and the key areas of estimation uncertainty have related to revenue recognition and the impairment of financial assets.

The value of certain of the LLP's contracts for the ongoing supply of services can be dependent upon the amount of costs incurred in performing these services and, in order to apply the LLP's policy for the recognition of revenue from such contracts that are partially complete at the balance sheet date, the members must assess both the proportion of the contract that has been completed and the total contract value that this represents. If there is no reliable alternative evidence, it is estimated that the revenue to be recognised in the financial statements from such contracts amounts to 70% of the total costs that had been incurred at the balance sheet date in performing the services.

Unless there is reliable evidence to the contrary, full provision is made for any amounts owing by trade debtors that have been outstanding for a period in excess of twelve months from the due settlement dates. In applying this judgement, the impairment loss recognised in the LLP's financial statements for the year ended 31 December 2017 amounted to €nil (2016: €nil).

Alvarez & Marsal Financial Industry Advisory Services LLP

Notes to the financial statements (continued)

For the year ended 31 December 2017

3 Turnover

The total turnover of the LLP for the year has been derived from its principal activities and relates to the provision of services undertaken wholly in Europe and the United Kingdom. Other operating income and revenue earned by the LLP during the year ended 31 December 2017 has been categorised as follows:

	2017	2016
	€	€
Amounts categorised as other operating income:		
Release of provision for irrecoverable amounts drawn by members	3,600,603	1,055,719
Indebtedness waived by the ultimate parent undertaking	4,276,425	-
Amounts categorised as interest receivable	-	5

The members consider the LLP's activities to represent a single class of business.

4 Operating profit

	2017	2016
	€	€
Operating profit is stated after charging / (crediting):		
Auditor's remuneration – audit	27,185	23,077
Auditor's remuneration – company secretarial services	1,307	922
Auditor's remuneration – payroll processing services	2,215	4,666
(Release of provision) for irrecoverable amounts due from members	(3,600,603)	(1,055,719)
Indebtedness waived by the ultimate parent undertaking	(4,276,425)	-
Provision for bad and doubtful debts	-	-
Loss / (profit) on foreign exchange transactions	20,355	(104,663)
Operating lease rentals – land and buildings	89,874	95,796
Operating lease rentals – other	19,583	17,947
Depreciation of tangible fixed assets	4,700	5,578
Profit on disposal of tangible fixed assets	-	-

Operating lease rentals – land and buildings include the LLP's share of the rental costs of jointly occupied premises leased by a fellow subsidiary of Alvarez & Marsal Holdings LLC (see Note 17).

Alvarez & Marsal Financial Industry Advisory Services LLP

Notes to the financial statements (continued)

For the year ended 31 December 2017

4 Operating profit (continued)

The LLP's share of the total future minimum lease payments under these contracts at 31 December 2017 was:

	2017	2016
	€	€
Amounts due within one year	126,113	118,004
Amounts due within two and five years	31,361	154,693
Amounts due after more than five years	-	-
Total minimum future lease payments	<u>157,474</u>	<u>272,697</u>

The LLP's share of the total future minimum lease payments for other assets held under other operating lease contracts at 31 December 2017 was:

	2017	2016
	€	€
Amounts due within one year	16,836	9,067
Amounts due within two and five years	13,181	7,608
Amounts due after more than five years	-	-
Total minimum future lease payments	<u>30,017</u>	<u>16,675</u>

5 Information in relation to members

	2017	2016
	No.	No.
The average number of members during the year was:	8	6
	€	€
The amount of profit attributable to the member with the largest entitlement was:	3,600,603	1,055,719

Members are required to make their own provisions for pensions from their profit shares.

6 Staff Costs

	2017	2016
	€	€
Wages and salaries	3,532,653	3,982,478
Social security costs	439,728	480,816
Pension and health insurance costs	39,714	89,710
	<u>4,012,095</u>	<u>4,553,004</u>

	No.	No.
The average number of employees during the year was:		
Professional services and support staff	18	22

Alvarez & Marsal Financial Industry Advisory Services LLP

Notes to the financial statements (continued)

For the year ended 31 December 2017

7 Interest receivable and similar income

	2017	2016
	€	€
Bank deposit interest	-	5

8 Interest payable and similar charges

	2017	2016
	€	€
Interest on overdue taxation	1,811	27

9 Tax on profit on ordinary activities

The taxable profits of Alvarez & Marsal Financial Industry Advisory Services LLP are assessed on the members. The LLP is not therefore liable to UK tax on trading profits or investment income.

The LLP's branch in the Republic of Ireland is liable to Irish corporation tax on its profits arising in that country. Full provision is made in the LLP's financial statements for all Irish corporation tax.

Other foreign taxes, including overseas withholding taxes deducted by clients on settlement of the LLP's fees are recognised as a tax charge in the statement of total comprehensive income to the extent that they cannot be recovered from the appropriate authorities.

The tax (credit) / charge for the year is made up as follows:

	2017	2016
	€	€
Irish corporation tax		
Overprovision in respect of earlier years	-	-
Overseas withholding taxes	-	-
Tax (credit) / charge	-	-

10 Members remuneration charged as an expense

Profits of the LLP for all accounting periods are automatically allocated between members in accordance with the provisions of the LLP Agreement. As required by the revised Statement of Recommended Practice, "Accounting by Limited Liability Partnerships", published in January 2017, the allocation of the LLP's profits is recognised on the face of the statement of total comprehensive income as "members' remuneration charged as an expense".

Alvarez & Marsal Financial Industry Advisory Services LLP

Notes to the financial statements (continued)

For the year ended 31 December 2017

11 Tangible fixed assets

	<i>Leasehold land and buildings</i>	<i>Plant and machinery</i>	<i>Fixtures, fittings and equipment</i>	<i>Total</i>
	€	€	€	€
<i>Cost</i>				
At 1 January 2017	108,955	7,833	49,275	166,063
Additions	-	-	37	37
Disposals	-	-	-	-
At 31 December 2017	<u>108,955</u>	<u>7,833</u>	<u>49,312</u>	<u>166,100</u>
<i>Depreciation</i>				
At 1 January 2017	102,995	6,568	48,299	157,862
Charge for the year	2,687	1,265	748	4,700
In respect of disposals	-	-	-	-
At 31 December 2017	<u>105,682</u>	<u>7,833</u>	<u>49,047</u>	<u>162,562</u>
<i>Net book value</i>				
At 31 December 2017	<u>3,273</u>	<u>-</u>	<u>265</u>	<u>3,538</u>
At 31 December 2016	<u>5,960</u>	<u>1,265</u>	<u>976</u>	<u>8,201</u>

12 Debtors

	2017	2016 (as restated)
	€	€
Trade debtors	804,883	3,055,347
Amounts recoverable on contracts	1,158,218	995,250
Amounts due from members	365,700	527,201
Amounts due from group undertakings	-	286,533
Other debtors	384,358	292,839
Prepayments and accrued income	59,032	69,314
	<u>2,772,191</u>	<u>5,226,484</u>

Alvarez & Marsal Financial Industry Advisory Services LLP

Notes to the financial statements (continued)

For the year ended 31 December 2017

13 Creditors: amounts falling due within one year

	2017	2016 (as restated)
	€	€
Trade creditors	500	77
Amounts owed to group undertakings	2,487,684	7,576,488
Other tax and social security	119,103	243,378
Accruals and deferred income	365,470	1,403,716
	<u>2,972,757</u>	<u>9,223,659</u>

14 Financial instruments

The carrying values of the LLP's financial assets and liabilities are summarised by category below:

	2017	2016 (as restated)
	€	€
Financial assets		
<i>Measured at undiscounted amount receivable</i>		
Trade and other debtors	2,406,491	4,412,750
Amounts due from related parties	365,700	813,734
Cash at bank and in hand	199,828	391,471
	<u>2,972,019</u>	<u>5,617,955</u>
Financial liabilities		
<i>Measured at undiscounted amount payable</i>		
Trade and other creditors	485,073	1,647,171
Amounts owed to related parties	2,487,684	7,576,488
	<u>2,972,757</u>	<u>9,223,659</u>

Alvarez & Marsal Financial Industry Advisory Services LLP

Notes to the financial statements (continued)

For the year ended 31 December 2017

14 Financial instruments (continued)

The LLP's income, expense, gains and losses in respect of financial instruments are summarised below:

	2017	2016
	€	€
Interest income / (expenses)		
Total interest income for financial assets measured at undiscounted amount receivable	-	5
Total interest expense for financial liabilities measured at undiscounted amount payable	1,811	(27)
Impairment gains / (losses)		
On financial assets measured at undiscounted amount receivable		
Provision for bad and doubtful debts	-	-
Release of provision for irrecoverable amounts drawn by members on account of an allocation of a share of profits	3,600,603	1,055,719
Indebtedness waived by ultimate parent undertaking	4,276,425	-
Net foreign exchange (losses) / gains on the revaluation of financial assets and liabilities	(20,355)	104,663

15 Members' interests

A detailed analysis of the movements in members' interests is set out in the statements of changes in equity on pages 11 and 12.

Loans and other debts due to members rank pari passu with unsecured creditors in the event of winding up. Members' other interests rank after unsecured creditors.

The amount of capital each member is required to subscribe is determined by Alvarez & Marsal Financial Industry Advisory Services LLP Board and, under the Members' Agreement of Alvarez & Marsal Financial Industry Advisory Services LLP, a member can only withdraw capital when he or she ceases to be a member.

16 Financial commitments

As at 31 December 2017 and 2016, the LLP had no capital commitments and no commitments under finance lease contracts.

Commitments under operating lease contracts are set out in note 4.

Alvarez & Marsal Financial Industry Advisory Services LLP

Notes to the financial statements (continued)

For the year ended 31 December 2017

17 Related party transactions

During the year the LLP entered into the following transactions with related parties:

	2017	2016
	€	€
Transactions with the ultimate parent company, Alvarez & Marsal Holdings LLC		
Fees (payable) for the provision of administrative support services	(1,279,495)	(512,010)
Fees (payable) for business referrals and the provision of expertise and staffing support	(258)	-
Waiver of indebtedness	4,276,425	-
Transactions with the immediate parent company, Alvarez & Marsal Europe Holdings Limited		
Allocation of profits for the period	3,600,603	1,055,719
Transactions with other fellow subsidiary undertakings of Alvarez & Marsal Holdings LLC		
Fees (payable) for the provision of administrative support services	(79,500)	(65,550)
Fees (payable) for business referrals and the provision of expertise and staffing support	(3,072,649)	(3,725,384)
Fees receivable for business referrals and the provision of expertise and staffing support	1,901,584	647,164
Share of rental costs for jointly occupied leasehold premises	(72,980)	(66,761)
Operating lease costs (payable) in respect of the hire of plant and machinery	(2,242)	(3,357)
Share of rental costs for other leased assets	(17,341)	(14,429)
Fees (payable) for taxation compliance and consultancy services	(14,669)	(17,969)
Fees payable for staff recruitment services	(1,726)	(67,094)

The key management personnel of the LLP during the year ended 31 December 2017 were its members.

The total remuneration for key management personnel for the year ended 31 December 2017 was as follows:

	2017	2016
	€	€
Drawings by members on account of an allocation of the profit for the period	2,563,154	1,749,323
Provision for irrecoverable amounts drawn by members at 1 January 2017	3,600,603	4,656,322
Provision for irrecoverable amounts drawn by members at 31 December 2017	-	(3,600,603)
Total remuneration for key management personnel	6,163,757	2,805,042

Alvarez & Marsal Financial Industry Advisory Services LLP

Notes to the financial statements (continued)

For the year ended 31 December 2017

17 Related party transactions (continued)

The LLP has also received and provided financing, when appropriate, to and from its ultimate parent company, fellow subsidiary undertakings and other related parties.

At 31 December 2017 the following amounts were owed by / (to) related parties:

	2017 €	2016 (as restated) €
Amounts due (to) / from controlling parties		
Alvarez & Marsal Holdings LLC	(1,414,752)	(7,111,874)
Alvarez & Marsal Europe Holdings Limited	61,098	228,458
Amounts due (to) / from key management personnel		
Unpaid members capital contributions	-	1,200
Other advances to / (from) members	304,602	297,543
Other related parties		
Fellow subsidiary undertakings of Alvarez & Marsal Holdings LLC	(1,072,932)	(178,801)

These balances are unsecured, interest free and repayable on demand.

At 31 December 2017, the equity of the LLP included losses allocated to its designated corporate member, Alvarez & Marsal Europe Holdings Limited amounting to €nil (2016: €3,600,603). These losses are not legally recoverable under the terms of the LLP Agreement, but are released and offset against future profits as they are allocated to members.

During the year, the ultimate parent undertaking, Alvarez & Marsal Holdings LLC, carried out a review of the financing that it was providing to its subsidiary undertakings and decided to strengthen the financial position of the LLP by waiving part of the amount of intercompany indebtedness. As a result of this decision, it became apparent that in earlier years, this financing provided to the LLP was incorrectly shown as owing by the LLP to its immediate parent company, Alvarez & Marsal Europe Holdings Limited and other fellow subsidiary undertakings rather than by the LLP to the ultimate parent company direct. This error has now been corrected and comparative figures have been restated accordingly.

18 Controlling parties

The LLP's parent undertaking and immediate controlling party at the balance sheet date is its designated corporate member, Alvarez & Marsal Europe Holdings Limited, a company registered in England and Wales.

The parent undertaking of the group which includes the LLP and for which group financial statements are prepared is Alvarez & Marsal Europe Holdings Limited.

The ultimate parent company is Alvarez & Marsal Holdings LLC, a company formed in the United States of America.

The ultimate controlling parties are Antonio C Alvarez II and Bryan P Marsal.