

Affinity and Beyond LLP

Members' Report and

Financial Statements

for the year ended

31 December 2017



Affinity and Beyond LLP – Members' Report

Principal activities

The principal activities of Affinity and Beyond LLP ("the LLP") are the provision of ship broking and advisory services to the maritime industry.

Members' capital

All members are required to make capital contributions. The Initial Members were required to contribute capital on incorporation of the LLP in accordance with the provisions of the original Partnership Agreement dated 9 December 2014.

Members' drawings and profit allocations

Members received monthly drawings and bonus drawings during the year. The amount and timing of drawings are fixed by the Designated Members, taking into consideration estimated profits and the cash flow requirements of the LLP.

Profits are firstly applied in the payment of Members Priority Profit Shares which are fixed profit entitlements of the individual members as determined by the Board of the LLP appointed by the Designated Members. Profits are secondly applied in the payment of bonuses to members and employees. The balance of profits is allocated to members after the end of the statutory financial period as determined by the Designated Members. Members are remunerated solely from the profits of the partnership. Unallocated profits and losses are included in other Reserves.

Designated members

The designated members of the LLP during the year were:

Affinity (Shipping) LLP

R Fulford-Smith
N Wood
T White
A Finn
P Arentz
T English
C Chasty
J Leake
T Fairhurst
T Morrison

Affinity and Beyond LLP – Members' Report (continued)

Statement of members' responsibilities

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

The Companies Act 2006, as applied to Limited Liability Partnerships, requires the members to prepare financial statements for each financial period. Under that law, the members have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law. The financial statements must, in accordance with IFRS as adopted by the EU, present fairly the financial position and performance of the LLP; such references in the Companies Act 2006, as applicable to LLPs, to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law, 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 accounting estimates that are reasonable and prudent;
- State whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

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 the Companies Act 2006, as applicable to LLPs. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The financial statements were audited by Moore Stephens LLP. A resolution for the re-appointment of Moore Stephens LLP will be considered at the forthcoming meeting of the LLP Board.



C. Chasty

Partnership Secretary

28 March 2018

Independent Auditor's Report to the Members of Affinity and Beyond LLP

Opinion

We have audited the financial statements of Affinity and Beyond LLP (the 'limited liability partnership') for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash flows 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to limited liability partnerships.

Use of our 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, as applied to limited liability partnerships. 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.

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 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 audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in 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.

Independent Auditor's Report to the Members of Affinity and Beyond LLP (continued)**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The members are responsible for the other information.

Our opinion on the financial statements does not cover the other information and 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 where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

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

Responsibilities of members

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

Independent Auditor's Report to the Members of Affinity and Beyond LLP (continued)**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 Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Michael Simms, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

28 March 2018

Affinity and Beyond LLP – Income Statement
For the year ended 31 December 2017

		2017	2016
		£	£
Revenue			
Commissions and fees receivable	2	5,170,696	3,135,144
		5,170,696	3,135,144
Personnel costs	4	567,866	420,329
Other operating expenses		1,531,874	1,287,884
		2,099,740	1,708,213
Profit for the year before members' payments	3	3,070,956	1,426,931
Members' payments	5	(2,078,333)	(1,407,500)
Profit for the year before taxation		992,623	19,431
Tax expense	6	-	-
Profit for the financial year		992,623	19,431

The notes on pages 13 to 25 are an integral part of these financial statements

Affinity and Beyond LLP –Statement of Comprehensive Income
For the year ended 31 December 2017

	2017	2016
	£	£
Profit for the financial year	992,623	19,431
Other comprehensive income	-	-
Total comprehensive income for the year	992,623	19,431

The notes on pages 13 to 25 are an integral part of these financial statements

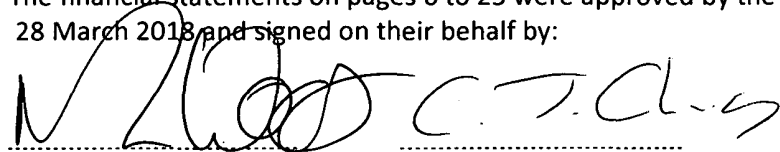
Affinity and Beyond LLP – (Registered No. OC396607)
Statement of Financial Position
At 31 December 2017

		2017	2016
		£	£
Assets			
Current assets			
Trade and other receivables	7	593,893	276,979
Investment	8	148,690	-
Amounts due from members	10	2,013,247	1,408,869
Cash and cash equivalents		323,251	10,956
		<u>3,079,081</u>	<u>1,696,804</u>
Total assets		<u>3,079,081</u>	<u>1,696,804</u>
Equity and Liabilities			
Members' capital	10	590,500	590,500
Other reserves classified as equity	10	992,623	19,431
		<u>1,583,123</u>	<u>609,931</u>
Current liabilities			
Trade and other payables	9	215,893	11,083
Amounts due to members	10	1,280,065	1,075,790
		<u>1,495,958</u>	<u>1,086,873</u>
Total equity and liabilities		<u>3,079,081</u>	<u>1,696,804</u>

Affinity and Beyond LLP - Statement of Financial Position
At 31 December 2017 (continued)

	2017 £	2016 £
Total members' interests		
Members' capital	590,500	590,500
Other reserves	992,623	19,431
Amounts due to members	1,280,065	1,075,790
Amounts due from members	(2,013,247)	(1,408,869)
	<u>849,941</u>	<u>276,852</u>

The financial statements on pages 6 to 25 were approved by the members and authorised for issue on 28 March 2018 and signed on their behalf by:



Nick Wood

Christopher Chasty

The notes on pages 13 to 25 are an integral part of these financial statements

Affinity and Beyond LLP – Statement of Changes in Equity
For the year ended 31 December 2017

	<u>Members' equity</u>			<u>Members' interests</u>		
	Capital (classified as equity)	Other reserves	Total	Amounts due to members*	Amounts due from members**	Total
	£	£	£	£	£	£
Balance at 1 January 2017	590,500	19,431	609,931	1,075,790	(1,408,869)	276,852
Members payments treated as an expense	-	-	-	-	2,078,333	2,078,333
Profit for the financial year	-	992,623	992,623	-	-	992,623
Transfers to members' tax provision accounts	-	-	-	961,846	-	961,846
Advances to member	-	-	-	-	(635,012)	(635,012)
Tax payments made on behalf of members	-	-	-	(757,571)	-	(757,571)
Advanced to members	-	-	-	-	(1,062)	(1,062)
Repaid by members	-	-	-	-	12,265	12,265
Drawings	-	-	-	-	(2,078,333)	(2,078,333)
Allocation of profits (Note 5)	-	(19,431)	(19,431)	-	19,431	-
Balance at 31 December 2017	<u>590,500</u>	<u>992,623</u>	<u>1,583,123</u>	<u>1,280,065</u>	<u>(2,013,247)</u>	<u>849,941</u>

* included within current liabilities

** included within current assets

The notes on pages 13 to 25 are an integral part of these financial statements

Affinity and Beyond LLP – Statement of Changes in Equity
For the year ended 31 December 2016

	<u>Members' equity</u>			<u>Members' interests</u>		
	Capital (classified as equity)	Other reserves	Total	Amounts due to members*	Amounts due from members**	Total
	£	£	£	£	£	£
Balance at 1 January 2016	590,500	(308,541)	281,959	531,730	(15,642)	798,047
Members Priority Profit shares treated as an expense	-	-	-	-	1,407,500	1,407,500
Profit for the financial year	-	19,431	19,431	-	-	19,431
Transfers to members' tax provision accounts	-	-	-	1,011,510	-	1,011,510
Tax payments made on behalf of members	-	-	-	(467,450)	-	(467,450)
Advanced to members	-	-	-	-	(72,367)	(72,367)
Drawings	-	-	-	-	(2,419,819)	(2,419,819)
Allocation of losses (Note 5)	-	308,541	308,541	-	(308,541)	-
Balance at 31 December 2016	<u>590,500</u>	<u>19,431</u>	<u>609,931</u>	<u>1,075,790</u>	<u>(1,408,869)</u>	<u>276,852</u>

* included within current liabilities

** included within current assets

The notes on pages 13 to 25 are an integral part of these financial statements

Affinity and Beyond LLP – Statement of Cash flows
For the year ended 31 December 2017

	2017	2016
	£	£
Cash inflows from operating activities		
Profit for the financial year	992,623	19,431
Adjustments for:		
Members' payments	2,078,333	1,407,500
Differences on exchange	(15,247)	(31,908)
(Increase)/decrease in trade and other receivables	(316,914)	475,373
Increase)/(decrease) in trade and other payables	204,810	(3,645)
	<u>1,950,982</u>	<u>1,847,320</u>
Net cash inflow from operating activities before transactions with members	<u>2,943,605</u>	<u>1,866,751</u>
Payments to or on behalf of members	(2,497,867)	(1,948,125)
	<u>445,738</u>	<u>(81,374)</u>
Net cash inflow/(outflow) from operating activities	<u>445,738</u>	<u>(81,374)</u>
Cash flows from investing activities		
Purchase of investment	(148,690)	-
	<u>297,048</u>	<u>(81,374)</u>
Net increase/(decrease) in cash and cash equivalents	<u>297,048</u>	<u>(81,374)</u>
Cash and cash equivalents – beginning of year	10,956	60,422
Effects of exchange rate fluctuations	15,247	31,908
	<u>323,251</u>	<u>10,956</u>
Cash and cash equivalents – end of year	<u><u>323,251</u></u>	<u><u>10,956</u></u>

The notes on pages 13 to 25 are an integral part of these financial statements

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2017

1. Description of the business

Affinity and Beyond LLP was incorporated in England as a Limited Liability Partnership on 18 November 2014 and commenced business on 1 January 2015. The registered office and principal place of business is located at 122 Leadenhall Street, London EC3V 4AB.

The LLP is domiciled in the United Kingdom and its principal activities are the provision of shipbroking and advisory services to the maritime industry.

2. Accounting policies

The accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period.

Basis of accounting

The financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Revenue

Revenue consists of commission receivable from sale and purchase shipbroking and vessel chartering and fees receivable from advisory services. Revenue is recognised when the LLP has a contractual entitlement to commission, normally at the time of completed contractual periods between the principals in the transaction.

Commissions are shown net of amounts attributable to co-brokers. Obligations to co-brokers are recognised as a liability at the point their commission is collected from the client. Commission is recognised by reference to the stage of completion of the underlying contract. Fees are recognised as services are performed.

Leases

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Investments

Available-for-sale financial assets are measured at fair value in the statement of financial position. Fair value changes on available-for-sale financial assets are recognised directly in equity, through the statement of changes in equity, except for interest on available-for-sale financial assets (which is recognised in income on an effective yield basis), impairment losses and (for interest-bearing available-for-sale financial assets debt instruments) foreign exchange gains or losses. The cumulative gain or loss that was recognised in equity is recognised in profit or loss when an available-for-sale financial asset is derecognised.

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2017

2. Accounting policies (continued)

Foreign currencies

The financial statements are presented in Great Britain pounds ("Sterling"). Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Sterling at the exchange rates ruling at that date. All translation differences are dealt with in the income statement.

Taxation

The taxation payable on profits of the LLP is the personal liability of the members. Consequently neither taxation nor related deferred taxation of the LLP is accounted for in these financial statements.

A retention from all profit distributions is made to fund the members' taxation payments. The amounts retained for tax are treated in the financial statements in the same manner as other profits of the LLP and are therefore included in "Amounts due to members" in the statement of financial position.

Non derivative financial instruments

Non derivative financial instruments comprise trade and other receivables, cash and cash equivalents, trade and other payables, interest bearing liabilities, member's capital and amounts due to and from members.

Trade and other receivables

Trade and other receivables are recognised at fair value, being their nominal value less impairment losses. Subsequent to initial recognition they are valued at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise bank current accounts, call deposits with a maturity of less than six months and cash balances and are stated at their nominal values.

Pensions

The LLP operates a defined contribution pension scheme for its employees and premiums are expensed as incurred.

Trade and other payables

Trade and other payables are recognised at fair value, based on the nominal amount outstanding. Subsequent to initial recognition, they are recorded at amortised cost.

Members' capital

The original capital requirements of the LLP were determined by the Initial Members and subsequent requirements by the Designated Members. No interest is paid on capital.

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2017

2. Accounting policies (continued)

Members' capital is only repayable at the absolute discretion of the Board of Management of the LLP and is therefore considered as equity and is stated at its nominal value.

Amounts due to and from members

Amounts due to and from members are included within current liabilities and current assets respectively and are stated at their nominal values.

Provisions

A provision is recognised when a present legal or constructive obligation has arisen as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Allocation of profits and losses and drawings

Profits of the LLP are firstly applied in the payment to members of fixed profit shares as determined by the Board of Management. Profits are secondly applied in the payment of bonuses to members and employees. The balance is allocated by a resolution of the Designated Members based on recommendations received from the Board following finalisation of the audited statutory financial statements.

As permitted by the Partnership Agreement, allocated profits may not necessarily represent all the profits arising in a particular financial period if the Designated Members consider it appropriate to retain profits or to allocate profits previously retained.

During the financial period, members receive monthly drawings and (depending on cash flow considerations) bonuses and profit distributions. At the discretion of the Designated Members, members also receive additional profit distributions (usually six monthly). The level and timing of the distributions are determined by the Designated Members, taking into account cash requirements for operating and investing activities.

With the exception of Priority Profit Shares and bonuses payable to members, all drawings and profit distributions to members represent payments on account of current period profits and are reclaimable from members until profits have been allocated. Any over-distribution of profits during the period is also recoverable from members. No liabilities to members arising from the leaver provisions within the Partnership Agreement had arisen as at 31 December 2017.

As the LLP has an obligation to pay members' Priority Profit Shares and bonuses, these are treated as an expense in the income statement. However, pending the allocation of profits or losses and their division between members, all other drawings and profit distributions paid on account during the period are shown as "Amounts due from members". Unallocated profits are shown in equity as "Other reserves".

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2017

2. Accounting policies (continued)

Accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities, at the reporting date.

However, uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to these reported amounts in the future.

Trade receivables

Provisions for impairment of trade receivables represent management's best estimate at the reporting date.

New standards and interpretations in issue but not yet effective

The International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC') have issued revisions to a number of existing standards and new interpretations with an effective date of implementation after the date of these financial statements.

The members do not anticipate that the adoption of these revised standards and interpretations will have a material impact on the figures included in the financial statements in the period of initial application other than the following revisions to existing standards. The group has not applied the following new and revised IFRSs that have been issued but are not yet effective, however they are, in accordance with best practice, being disclosed:

IFRS 9 - Financial Instruments

The standard is effective for accounting periods beginning on or after 1 January 2018.

The standard makes substantial changes to the measurement of financial assets and financial liabilities. There will only be three categories of financial assets whereby financial assets are recognised at either fair value through profit or loss, fair value through other comprehensive income or measured at amortised cost. On adoption of the standard, the Company will have to re-determine the classification of its financial assets based on the business model for each category of financial asset. This is not considered likely to give rise to any significant adjustments other than the re-categorisation.

The principal change to the measurement of financial assets measured at amortised cost or fair value through other comprehensive income is that impairments will be recognised on an expected loss basis compared to the current incurred loss approach. As such, where there are expected to be credit losses these are recognised in profit or loss. For financial assets measured at amortised cost the carrying amount of the asset is reduced for the loss allowance. For financial assets measured at fair value through other comprehensive income the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial assets. Most financial liabilities will continue to be carried at amortised cost, however, some financial liabilities will be required to be measured at fair value through profit or loss, for example derivative financial instruments, with changes in the liabilities' credit risk recognised in other comprehensive income.

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2017

2. Accounting policies (continued)

The members do not expect this standard to have any impact on the LLP's results.

IFRS 15 - Revenue from contracts with customers

This standard is effective for periods beginning on or after 1 January 2018.

The standard has been developed to provide a comprehensive set of principles in presenting the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is based around five steps in recognising revenue:

Identify the contract with the customer

- 1) Identify the performance obligations in the contract
- 2) Determine the transaction price
- 3) Allocate the transaction price
- 4) Recognise revenue when a performance obligation is satisfied
- 5) The standard also provides specific principles to apply, when there is a contract modification, accounting for contract costs and accounting for refunds and warranties.

The LLP has undertaken a review of its contracts and the members estimate that these changes will not have a significant effect on the LLP's results.

IFRS 16 – Leases

The standard is effective for annual periods beginning on or after 1 January 2019.

The changes for lessors, and for lessees under current finance leases, will be limited, but the standard will significantly affect the treatment by lessees of what are currently treated as operating leases. With some exceptions, lessees under current operating leases will be required to record a liability for the payments under the lease, which remains discounted at the rate implicit in the lease (or if not known, the lessee's incremental borrowing rate), and record a corresponding right of use asset (amounting to the liability plus the present value of any restoration costs and any incremental costs in entering the lease, as well as any lease payments made prior to commencement of lease, minus any lease incentives already received).

Based on existing operating lease commitments the members do not believe the implementation of this standard will have any effect on the LLP's results.

3. Profit from operations

	2017	2016
	£	£
Profit has been arrived at after charging:		
Net foreign exchange losses/(gains)	<u>43,551</u>	<u>(38,172)</u>

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2017

3. Profit from operations (continued)

Other operating expenses include charges of £704,055 (2016 - £627,447) from the LLP's parent undertaking, Affinity (Shipping) LLP and £247,269 (2016 - £165,729) from a fellow subsidiary undertaking, Affinity Research LLP, for the provision of office services and facilities and research services, respectively.

Audit fees and expenses for the year amounted to £3,500 (2016 –7,519). Non audit services provided by the auditors during the year amounted to £1,575 (2016 - £ 6,500) and comprised taxation services.

4. Personnel costs

The average number of employees (excluding members) employed by the LLP during the year were:

	2017	2016
	No.	No.
Client serving	3	5
Administration	2	2
	<u>5</u>	<u>7</u>

Staff costs incurred by these employees during the year were:

	2017	2016
	£	£
Salaries	483,956	347,926
Social security costs	49,369	36,784
Pension costs	27,071	27,975
Other	7,470	7,644
	<u>567,866</u>	<u>420,329</u>

Pension costs relate to amounts payable under a defined contribution pension scheme operated by the LLP's parent undertaking.

5. Members' payments

Members' payments comprise Priority Profit Shares.

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2017

5. Members' payments (continued)

Under the terms of the Partnership Agreement dated 9 December 2014, the LLP had an obligation to pay Priority Profit Shares to eight (2016 – eight) individual members during the year. The amount of the Priority Profit Share payable to each member is equivalent to each member's monthly drawings and has been expensed through the income statement. The Agreement also provides for 50% of the LLP's profits to be applied in the payment of bonuses to members and employees.

Profits and losses are shared amongst the members after the end of each financial period in accordance with agreed profit sharing arrangements.

The average profit per executive member (excluding the corporate member) is calculated by dividing the result for the year attributable to these members (49%) by the average number of executive members:

	2017		2016
Average number of members	7		8
Average profit per member	£ 69,484	£	1,190

The total payment made to the Chief Executive Officer during the year, comprising his priority profit share and bonus was £350,000 (2016 - £300,000). The member with the largest payment during the year received £495,000 (2016 - £300,000).

6. Tax expense

UK limited liability partnerships are not subject to taxation. Their members are subject to personal income tax (or Corporation Tax in the case of corporate members) which is a personal liability of the members individually.

7. Trade and other receivables

	2017	2016
	£	£
Trade receivables	571,657	329,779
Provision for impairment of trade receivables	(52,800)	(52,800)
	<u>518,857</u>	<u>276,979</u>
Amount due from group undertaking	75,036	-
	<u>593,893</u>	<u>276,979</u>

Trade receivables are presumed to be impaired at any point where full recovery of the debt is considered doubtful. The LLP has a policy of providing for all debts to the extent that they are not considered recoverable. In determining the recoverability of trade receivables management also considers any change in the credit quality of the receivable. Accordingly management believes that no

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2017

7. Trade and other receivables (continued)

further provision is required in excess of the provision for doubtful debts.

Clients are required to settle invoices on presentation or on such other terms as contractually agreed. Although terms vary, invoices are considered overdue after 30 days have elapsed since the invoice date. Ageing of trade receivables is as follows:

	2017	2016
	£	£
Neither past due nor impaired	305,832	208,627
Past due but not impaired	213,025	68,352
Past due, impaired	52,800	52,800
	<u>571,657</u>	<u>329,779</u>

8. Investment

The available-for-sale financial asset comprises an investment listed in the Norwegian OTC market which was transferred at cost to a fellow subsidiary undertaking subsequent to the year end.

9. Trade and other payables

	2017	2016
	£	£
Other payables	4,578	4,583
Amounts due to group undertakings	149,317	-
Accruals and deferred income	61,998	6,500
	<u>215,893</u>	<u>11,083</u>

Trade and other payables are non-interest bearing and are normally settled on demand.

10. Equity and members' capital and other interests

Members' capital includes £500,000 which is the amount that Affinity (Shipping) LLP undertook to contribute under the terms of the Partnership Agreement.

Members' other interests comprise amounts due (to)/ from members as follows:

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2017

10. Equity and members' capital and other interests (continued)

	2017 £	2016 £
Amount due from ultimate parent undertaking	1,800,417	1,175,316
Amounts due from members	212,830	233,553
 Amounts due to members - members' tax provision accounts	 (1,280,065)	 (1,075,790)
	<u>733,182</u>	<u>333,078</u>

In the event of the winding up of the LLP, amounts due to members may be set off against amounts due from members but would otherwise rank as unsecured creditors. These balances, together with members' capital, rank after other unsecured creditors.

11. Financial Instruments

Capital management

The LLP is financed by members' capital, principally from its corporate member, Affinity (Shipping) LLP. The capital structure is reviewed regularly to ensure it remains appropriate for the business and its growth plans.

The principal objective of the LLP's capital management is to maintain prudent capital ratios in order to support the business and maximise member returns. The LLP manages its capital structure and makes adjustments to it in the light of changing market conditions and opportunities. Adjustments may involve increasing members' capital contributions or withholding profit distributions.

For capital management purposes the members consider that capital comprises solely equity capital introduced by the members.

Carrying and fair values

Financial instruments held by the LLP arise directly from its operations and it is the policy of the management that no trading in financial instruments is undertaken. Members' capital and amounts due to and from members are also treated as financial instruments.

The carrying values of the LLP's financial instruments are as follows:

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2017

11. Financial Instruments (continued)

	2017	2016
	£	£
Loans and receivables		
Trade and other receivables	518,857	276,979
Amounts due from group undertakings	75,036	-
Amounts due from members	2,013,247	1,408,869
Cash and cash equivalents	323,251	10,956
	<u>2,930,391</u>	<u>1,696,804</u>
Financial liabilities at amortised cost		
Amounts due to members	1,280,065	1,075,790
Amounts due to group undertakings	149,317	-
Other payables	4,578	4,583
	<u>1,433,960</u>	<u>1,080,373</u>
Total net financial instruments	<u>1,496,431</u>	<u>616,431</u>

The estimated fair values of all the LLP's financial instruments were approximate to their carrying values at 31 December 2017 and 31 December 2016.

Risk

The LLP has exposure to market risk, credit risk and liquidity risk arising from its use of financial instruments.

The Board appointed by the Designated Members has overall responsibility for the setting up and monitoring of the LLP's risk management framework. Risk management policies are established to identify and analyse the risks faced by the LLP, to set up appropriate controls over those risks and to monitor these risks and the effectiveness of the controls. Risk management policies and systems are reviewed regularly to take into account changes in market conditions and the LLP's policies.

Market risk

Market risk is the risk that changes in market prices, principally foreign exchange rates, will affect the LLP's results or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits but to also optimise the returns available.

Exchange rate risk

The LLP's functional currency is Sterling. The business is exposed to exchange rate risk because all of the LLP's revenues are denominated in US Dollars, whereas outgoings are principally Sterling denominated.

The LLP maintains US Dollar bank accounts in which funds are retained to meet US Dollar obligations, but surplus funds are converted into local operational currencies generally within one month of

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2017

11. Financial Instruments (continued)

receipt. The situation is reviewed by management on a regular (at least monthly) basis. The LLP does not use foreign currency swaps or forward exchange contracts.

The net foreign currency denominated monetary assets of the LLP is summarised as follows:

	2017 £	2016 £
US Dollars	837,671	277,551
Euros	-	-
	837,671	277,551

If the US Dollar had been 10% stronger/weaker during the year ended 31 December 2017, the profit for the year would have increased/decreased by £558,187 and £456,717 respectively (2016 – £327,852 and £268,242 respectively).

Credit risk

Credit risk is the risk of financial loss to the business if a customer or counterparty to a financial instrument fails

Exposure to credit risk on trade receivables is monitored on a routine basis and credit evaluations are performed on clients as appropriate. Risk is managed by maintaining close contact with each client and regular billing and cash collection for services provided.

The LLP makes impairment provisions that represent its estimate of losses incurred in respect of trade and other receivables and is made on a specific case by case basis.

There is no concentration of risk for client receivables as the LLP had a large and diversified client base. Trade receivables at 31 December 2017 of £518,857 comprised 6 clients with a maximum outstanding of £202,596 (2016 - £276,979 comprised 6 clients with a maximum amount outstanding of £100,749).

The credit risk on cash and cash equivalents is limited because the majority of accounts are held by the LLP's principal banker, The Royal Bank of Scotland Plc, which has a BBB- credit rating from Standard & Poor's.

The carrying amount of the LLP's financial assets recorded in these financial statements, net of any impairment provisions, represents the LLP's maximum exposure to credit risk.

Liquidity risk

Responsibility for liquidity risk management lies with the Board of Designated Members, which has developed appropriate procedures to manage the LLP's short, medium and long term funding and liquidity management requirements. Risk is managed by maintaining adequate borrowing facilities and by the regular monitoring of forecast and actual cash flows.

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2017

11. Financial Instruments (continued)

Liquidity risk arises from the LLP's ongoing financial commitments and obligations, particularly the settlement of financial liabilities and payments to and on behalf of members.

Cash at bank is monitored on a daily basis and surplus amounts placed on short term deposits of no more than six months.

Members' capital is only repayable at the absolute discretion of the Board of Management of the LLP and is therefore classified as equity.

The amount of undiscounted cash outflows from financial liabilities is equal to their carrying amounts as trade payables are non-interest bearing.

The table below summarises the maturity profiles of the LLP's financial liabilities at 31 December 2017 based on contractual undiscounted payments:

At 31 December 2017

	On Demand	Less than 3 months	Total
	£	£	£
Amounts due to members	1,280,065	-	1,280,065
Amounts due to group undertakings	149,317	-	149,317
Other payables	4,578	-	4,578
	<u> </u>	<u> </u>	<u> </u>

At 31 December 2016

	On Demand	Less than 3 months	Total
	£	£	£
Amounts due to members	1,075,790	-	1,075,790
Other payables	4,583	-	4,583
	<u> </u>	<u> </u>	<u> </u>

12. Related Parties

The ten individual members of the LLP who were in office during the year are regarded as the LLP's key management personnel and their remuneration is regarded as a related party transaction. The share of profit allocated to them in respect of the year ended 31 December 2017 was £2,078,333 (2016 - £1,407,500) representing their Priority Profit Shares and bonuses as reported in note 5.

Transactions during the period and balances with members and parent group companies at 31 December 2017 are disclosed in Notes 3, 5, 7, 9, 10 and 11.

Balance with parent group companies are interest free and repayable on demand.

In addition to the foregoing, the LLP charged fees totalling £146,910 (2016 - £160,480) to Affinity Valuations Limited, a fellow group undertaking, in respect of services provided during the year.

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2017

12. Related Parties (continued)

At 31 December 2017 Affinity (Shipping) LLP, a limited liability partnership incorporated in England, had a 51% interest in the LLP and was therefore the ultimate controlling party of the LLP.