

Affinity and Beyond LLP

Members' Report and

Financial Statements

for the year ended

31 December 2019



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 are:

Affinity (Shipping) LLP

R Fulford-Smith

N Wood

T White

A Finn

P Arentz

T English

C Chasty

J Leake

T Fairhurst

T Morrison

L Pirro

Affinity and Beyond LLP – Members' Report (continued)

Statement of members' responsibilities

The members are responsible for preparing the members' report and financial statements in accordance with applicable law and regulation.

The Limited Liability Partnerships (*Accounts and Audit*) (*Application of the Companies Act 2006*) *Regulations 2008* require the members to prepare financial statements for each financial year. Under these regulations the members have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law. Under these regulations 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 Limited Liability Partnership and of the profit or loss of the Limited Liability Partnership for that period.

In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 Limited Liability Partnership will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the Limited Liability Partnership's transactions, disclose with reasonable accuracy at any time the financial position of the Limited Liability Partnership, and enable them to ensure that the financial statements comply with the Limited Liability Partnerships (*Accounts and Audit*) (*Application of the Companies Act 2006*) *Regulations 2008*. They are also responsible for safeguarding the assets of the Limited Liability Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Brexit and COVID-19 pandemic

The members continue to monitor the progress of the Brexit negotiations and, although the eventual outcome remains uncertain, do not believe it will have a material adverse effect on the LLP's finances.

As mentioned in the going concern section of Note 2 (Accounting policies) and in Note 12 (Events after the reporting date), the outlook for 2020 is uncertain in view of the COVID-19 pandemic, but the members are confident the LLP has sufficient financial resources to withstand the economic impact and to take advantage of the opportunities that will arise once the global economy begins to recover.

Auditor

On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP has resigned as auditor and the Members have appointed BDO LLP as auditor in their place. BDO LLP has indicated its willingness to continue in office.



Christopher Chasty
Partnership Secretary

24 April 2020

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 2019 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, 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 2019 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 applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

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.

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

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 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 Statement of members' responsibilities, 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 Council's website at:

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

Use of our report

This report is made solely to the Limited Liability Partnership's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006 as applied by Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. 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 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.



Michael Simms (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
Date: 24 April 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OG305127).

Affinity and Beyond LLP – Income Statement
For the year ended 31 December 2019

		2019	2018
		£	£
Revenue			
Commissions and fees receivable	2	7,322,913	6,741,841
		<u>7,322,913</u>	<u>6,741,841</u>
Personnel costs	4	641,371	683,521
Other operating expenses		1,934,871	1,306,301
		<u>2,576,242</u>	<u>1,989,822</u>
Profit for the year before members' payments	3	4,746,671	4,752,019
Members' payments	5	(3,025,496)	(2,912,140)
		<u>1,721,175</u>	<u>1,839,879</u>
Profit for the year before taxation		1,721,175	1,839,879
Tax expense	6	-	-
Profit for the financial year		<u><u>1,721,175</u></u>	<u><u>1,839,879</u></u>

The notes on pages 13 to 26 are an integral part of these financial statements

Affinity and Beyond LLP –Statement of Comprehensive Income
For the year ended 31 December 2019

	2019	2018
	£	£
Profit for the financial year	1,721,175	1,839,879
Other comprehensive income	-	-
Total comprehensive income for the year	1,721,175	1,839,879

The notes on pages 13 to 26 are an integral part of these financial statements

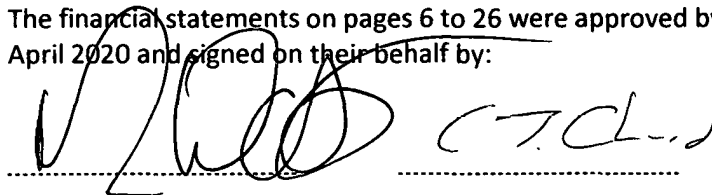
Affinity and Beyond LLP – (Registered No. OC396607)
Statement of Financial Position
At 31 December 2019

		2019	2018
		£	£
Assets			
Current assets			
Trade and other receivables	7	734,581	270,879
Amounts due from members	9	4,500,856	3,060,008
Cash and cash equivalents		155,799	391,070
		5,391,236	3,721,957
Total assets		5,391,236	3,721,957
Equity and Liabilities			
Members' capital	9	591,000	581,000
Other reserves classified as equity	9	1,721,175	1,839,879
		2,312,175	2,420,879
Current liabilities			
Trade and other payables	8	8,050	185,280
Amounts due to group undertakings		1,669,251	78,254
Amounts due to members	9	1,401,760	1,037,544
		3,079,061	1,301,078
Total equity and liabilities		5,391,236	3,721,957

Affinity and Beyond LLP - Statement of Financial Position
At 31 December 2019 (continued)

	2019 £	2018 £
Total members' interests		
Members' capital	591,000	581,000
Other reserves	1,721,175	1,839,879
Amounts due to members	1,401,760	1,037,544
Amounts due from members	(4,500,856)	(3,060,008)
	<u>(786,921)</u>	<u>398,415</u>

The financial statements on pages 6 to 26 were approved by the members and authorised for issue on 24 April 2020 and signed on their behalf by:



Nick Wood

Christopher Chasty

The notes on pages 13 to 26 are an integral part of these financial statements

Affinity and Beyond LLP – Statement of Changes in Equity
For the year ended 31 December 2019

	Members' equity			Members' interests		
	Capital (classified as equity)	Other reserves	Total	Amounts due to members*	Amounts due from members**	Total
	£	£	£	£	£	£
Balance at 1 January 2019	581,000	1,839,879	2,420,879	1,037,544	(3,060,008)	398,415
Members payments treated as an expense	-	-	-	-	3,025,496	3,025,496
Profit for the financial year	-	1,721,175	1,721,175	-	-	1,721,175
Transfers to members' tax provision accounts	-	-	-	1,848,016	-	1,848,016
Advances to members	-	-	-	(7,603)	(2,389,186)	(2,396,789)
Net tax payments made on behalf of members	-	-	-	(1,476,197)	-	(1,476,197)
Advanced by member	10,000	-	10,000	-	-	10,000
Repaid by member	-	-	-	-	10,000	10,000
Drawings	-	-	-	-	(3,927,037)	(3,927,037)
Allocation of profits (Note 5)	-	(1,839,879)	(1,839,879)	-	1,839,879	-
Balance at 31 December 2019	<u>591,000</u>	<u>1,721,175</u>	<u>2,312,175</u>	<u>1,401,760</u>	<u>(4,500,856)</u>	<u>(786,921)</u>

* included within current liabilities

** included within current assets

The notes on pages 13 to 26 are an integral part of these financial statements

Affinity and Beyond LLP – Statement of Changes in Equity
For the year ended 31 December 2018

	<u>Members' equity</u>			<u>Members' interests</u>		
	Capital	Other	Total	Amounts due	Amounts due	Total
	(classified as equity)	reserves		to members*	from members**	
	£	£	£	£	£	£
Balance at 1 January 2018	590,500	992,623	1,583,123	1,280,065	(2,013,247)	849,941
Members payments treated as an expense	-	-	-	-	2,912,140	2,912,140
Profit for the financial year	-	1,839,879	1,839,879	-	-	1,839,879
Transfers to members' tax provision accounts	-	-	-	1,591,138	-	1,591,138
Advances to member	-	-	-	-	(2,242,214)	(2,242,214)
Tax payments made on behalf of members	-	-	-	(1,798,039)	-	(1,798,039)
Repaid by members	-	-	-	-	202,830	202,830
Repaid to members	(9,500)	-	(9,500)	(35,620)	-	(45,120)
Drawings	-	-	-	-	(2,912,140)	(2,912,140)
Allocation of profits (Note 5)	-	(992,623)	(992,623)	-	992,623	-
Balance at 31 December 2018	<u>581,000</u>	<u>1,839,879</u>	<u>2,420,879</u>	<u>1,037,544</u>	<u>(3,060,008)</u>	<u>398,415</u>

* included within current liabilities

** included within current assets

The notes on pages 13 to 26 are an integral part of these financial statements

Affinity and Beyond LLP – Statement of Cash flows
For the year ended 31 December 2019

		2019	2018
		£	£
Cash inflows from operating activities			
Profit for the financial year		1,721,175	1,839,879
Adjustments for:			
Members' payments	3,025,496	2,912,140	
Increase in bad debt provision	23,733	33,000	
Differences on exchange	18,345	43,577	
(Increase)/decrease in trade and other receivables	(487,435)	290,014	
(Decrease)/increase in trade and other payables	(177,230)	47,641	
		<u>2,402,909</u>	<u>3,326,372</u>
Net cash inflow from operating activities before transactions with members		<u>4,124,084</u>	<u>5,166,251</u>
Payments to or on behalf of members		(3,552,821)	(5,194,045)
		<u>571,263</u>	<u>(27,794)</u>
Net cash inflow/(outflow) from operating activities		<u>571,263</u>	<u>(27,794)</u>
Cash flows from financing activities			
Payment of members' capital	10,000	-	
Repayment of members' capital	-	(9,500)	
Advances to group undertakings	(798,189)	-	
		<u>(788,189)</u>	<u>(9,500)</u>
Cash flows from investing activities			
Sale of investment		-	148,690
		<u>(216,926)</u>	<u>111,396</u>
Net (decrease)/increase in cash and cash equivalents		<u>(216,926)</u>	<u>111,396</u>
Cash and cash equivalents – beginning of year		391,070	323,251
Effects of exchange rate fluctuations		(18,345)	(43,577)
		<u>155,799</u>	<u>391,070</u>
Cash and cash equivalents – end of year		<u><u>155,799</u></u>	<u><u>391,070</u></u>

The notes on pages 13 to 26 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 2019

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 year.

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.

Going concern

The financial statements, prepared on the going concern basis, assume that the LLP will generate sufficient working capital to continue operational existence for the foreseeable future. The members have, at the time of approving the financial statements, an expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future because they have received an assurance of continuing financial support from the LLP's ultimate controlling entity. Therefore the LLP continues to adopt the going concern basis of accounting in preparing the financial statements.

As reported in note 12, the members acknowledge the ongoing COVID-19 pandemic and its effect on the current business climate. The duration of the outbreak and its impact on global trade cannot be accurately determined at the current date. COVID-19 may impact the LLP in varying ways leading to downward pressure on the level of broker commissions recognised. Latest economic forecasts predict a decrease in seaborne trade of up to 5% for the remainder of 2020. Revenue generation and the timely settlement of commissions by customers has a direct bearing on the LLP's ability to generate sufficient cash flows for working capital purposes and to finance future growth plans. The members therefore consider this may negatively affect the LLP if the impact on global trade proves to be prolonged and extreme. The inability to gauge the length of such disruption further adds to this uncertainty. For these reasons, the generation of sufficient operating cash flows remains at heightened risk.

The members are closely monitoring all aspects of the LLP's operations to mitigate the impact from the COVID-19 pandemic, with enhanced emphasis on credit control procedures and cost savings wherever possible.

Based on the LLP's operations in 2020 through to the date of approval of these financial statements, the LLP has not yet experienced a significant decline in its trading or financial performance. The LLP is not dependant on a high concentration of customers.

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

2. Accounting policies (continued)

Going concern (continued)

The members have stress tested the revenue assumptions included in the LLP's cash projections by reducing revenues by more than 20% and have considered measures that can be taken to defer certain overheads for a period of at least 12 months from the date of approval of these financial statements. Based on these stress tests, the members believe the LLP will generate sufficient working capital and cash flows to continue in operational existence and has assurances of continuing financial support of the ultimate parent undertaking. Whilst these assumptions have been incorporated into the cash projections, the members are optimistic that the impact on the LLP will not be as severe as this, based on external indicators.

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 satisfied its performance obligations, 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.

Comparative figures

Certain comparative figures in the Statement of Financial Position have been reclassified in order to be consistent with the current year's presentation.

Impairment of assets

Assets subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in the statement of comprehensive income whenever the carrying value of an asset or a cash-generating unit (CGU) exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows of an asset or a CGU are discounted to their present value, using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted. Fair value is assessed by the members and reflects the underlying economic value of the assets in normal market conditions, with a willing buyer and seller and assumes adequate time for sale.

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

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

2. Accounting policies (continued)

Foreign currencies (continued)

at the exchange rates ruling at that date. All 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, members' capital and amounts due to and from members and group undertakings.

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 three months or less 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.

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.

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

2. Accounting policies (continued)

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 year, 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 2019.

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".

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.

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

2. Accounting policies (continued)

Accounting judgements and estimates (continued)

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 interpretations and revised standards effective from the year ended 31 December 2019

New standards impacting the LLP that were adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the LLP's accounting policies are:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Positions

Neither of these two standards have had any impact on the results of the LLP. Other new and amended standards and Interpretations issued by the International Accounting Standards Board ("IASB") that will apply for the first time in the next annual financial statements are not expected to impact the LLP as they are either not relevant to the LLP's activities or require accounting which is consistent with the LLP's current accounting policies.

New standards and interpretations in issue but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the LLP has decided not to adopt early. The most significant of these are as follows, which are all effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

2. Accounting policies (continued)

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

3. Profit from operations

	2019	2018
	£	£
Profit has been arrived at after charging/(crediting):		
Net foreign exchange losses/(gains)	60,636	(67,343)
	<u> </u>	<u> </u>

Other operating expenses include charges of £946,086 (2018 - £562,236) from the LLP's parent undertaking, Affinity (Shipping) LLP and £222,127 (2018 - £232,971) from a fellow subsidiary undertaking, Affinity Research LLP, for the provision of office services and facilities and research services, respectively.

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

3. Profit from operations

Audit fees and expenses for the year amounted to £5,000 (2018 – £3,150). Non audit services provided by the auditors during the year amounted to £4,400 (2018 - £4,825) and comprised taxation services.

4. Personnel costs

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

	2019	2018
	No.	No.
Client serving	6	5
Administration	1	2
	<u>7</u>	<u>7</u>

Staff costs incurred by these employees during the year were:

	2019	2018
	£	£
Salaries	479,222	568,093
Social security costs	67,352	77,109
Pension costs	33,466	30,964
Other	61,331	7,355
	<u>641,371</u>	<u>683,521</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.

Under the terms of the Partnership Agreement dated 9 December 2014, the LLP had an obligation to pay Priority Profit Shares to eight (2018 – seven) 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 year in accordance with agreed profit sharing arrangements.

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

5. Members' payments (continued)

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

	2019	2018
Average number of members	8	7
Average profit per member	£ 290,734	£ 332,641

The total payment made to the Chief Executive Officer during the year, who was the member with the largest payment, comprising his priority profit share and bonus, was £800,000 (2018 - £822,500).

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

	2019 £	2018 £
Trade receivables	628,797	352,890
Provision for impairment of trade receivables	-	(85,800)
	<u>628,797</u>	<u>267,090</u>
Amount due from group undertaking	-	3,789
Other receivables	105,784	-
	<u>734,581</u>	<u>270,879</u>

Trade receivables are expected to be recovered within one year. The LLP's credit policy is set out in note 10.

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:

	2019 £	2018 £
Neither past due nor impaired	189,976	123,567
Past due but not impaired	438,821	143,523
Past due, impaired	-	85,800
	<u>628,797</u>	<u>352,890</u>

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

7. Trade and other receivables (continued)

Movements on the provision for impairment of trade receivables was as follows:

	2019	2018
	£	£
At 1 January	85,800	52,800
Provision for impairment	23,733	33,000
Debts written off in year	(109,533)	-
At 31 December	-	85,800

8. Trade and other payables

	2019	2018
	£	£
Trade payables	-	104,267
Accruals and deferred income	8,050	81,013
	8,050	185,280

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

9. 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 from/(to) members as follows:

	2019	2018
	£	£
Amount due from ultimate parent undertaking	4,500,856	3,050,008
Amounts due from members	-	10,000
Amounts due to members - members' tax provision accounts	(1,401,760)	(1,037,544)
	3,099,096	2,022,464

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.

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

10. 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. The capital structure of the LLP consists of all components of equity aggregating to a surplus of £2,312,175 (2018 - £2,420,879).

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:

	2019	2018
	£	£
Financial assets at amortised cost		
Loans and receivables		
Trade and other receivables	734,581	267,090
Amounts due from group undertakings	-	3,789
Amounts due from members	4,500,856	3,060,008
Cash and cash equivalents	155,799	391,070
	<u>5,391,236</u>	<u>3,721,957</u>
Financial liabilities at amortised cost		
Trade payables	-	104,267
Amounts due to members	1,401,760	1,037,544
Amounts due to group undertakings	1,669,251	78,254
	<u>3,071,011</u>	<u>1,220,065</u>
Total net financial instruments	<u><u>2,320,225</u></u>	<u><u>2,501,892</u></u>

The estimated fair values of all the LLP's financial instruments were approximate to their carrying values at 31 December 2019 and 31 December 2018.

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

10. Financial Instruments (continued)

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 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:

	2019	2018
	£	£
US Dollars	680,214	572,720
Euros	16,584	-
	696,798	572,720

If the US Dollar had been 10% stronger/weaker during the year ended 31 December 2019, the profit for the year would have increased/decreased by £391,540 and £320,351 respectively (2018 – £262,342 and £398,251 respectively).

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

10. Financial Instruments (continued)

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.

Following the COVID-19 pandemic referred to in note 12, credit risk has increased and the LLP has intensified its credit control procedures accordingly.

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 has a large and diversified client base. Trade receivables at 31 December 2019 of £628,797 comprised 6 clients with a maximum outstanding of £420,135 (2018 - £267,090 comprised 6 clients with a maximum amount outstanding of £139,189).

At 31 December 2019, trade receivables of £438,821 (2018 - £143,523) were past due but not impaired.

At 31 December 2019, no expected credit losses are envisaged for current trade receivables and the amounts due from members and group undertakings.

Given the nature of the LLP's trading partners, determination of the 12 month expected credit losses has been assessed on a case-by-case basis. This assessment has been made based on past trading history, past write offs, unusual payment periods and publicly available information about the counterparties. As permitted by the transitional provisions of IFRS 9 Financial Instruments, any loss allowances required have been accounted for as at 31 December and accordingly, no comparative information has been presented for 31 December 2018.

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.

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.

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

10. Financial Instruments (continued)

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 2019 based on contractual undiscounted payments:

At 31 December 2019

	On Demand	Less than 3 months	Total
	£	£	£
Amounts due to members	1,401,760	-	1,401,760
Amounts due to group undertakings	1,669,251	-	1,669,251

At 31 December 2018

	On Demand	Less than 3 months	Total
	£	£	£
Amounts due to members	1,037,544	-	1,037,544
Amounts due to group undertakings	78,254	-	78,254
Trade payables	104,267	-	104,267

11. Related Parties

The eleven 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 2019 was £3,025,496 (2018 - £2,912,140) representing their Priority Profit Shares and bonuses as reported in note 5.

Transactions during the year and balances with members and parent group companies at 31 December 2019 are disclosed in Notes 3, 4, 5, 7, 9 and 10.

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

In addition to the foregoing, the LLP charged fees totalling £154,000 (2018 - £159,200) to Affinity Valuations Limited, a fellow group undertaking, in respect of services provided during the year.

At 31 December 2019 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.

Affinity and Beyond LLP – Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

12. Events after the reporting date

Subsequent to the year end, the COVID-19 pandemic has caused widespread disruption to the global economy and this may have a negative impact on the LLP's financial performance in 2020.