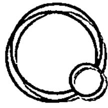

BROWN SHIPLEY
A QUINTET PRIVATE BANK

BROWN SHIPLEY & CO. LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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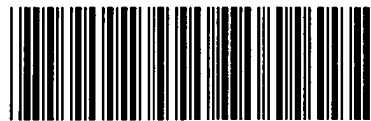
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DIRECTORS AND PROFESSIONAL ADVISERS

Directors	Jim Brydie – Non-Executive
	Andrew Curran – Chief Financial Officer
	Nicholas Harvey- Non-Executive
	Alan Mathewson – Chief Executive Officer
	John Misselbrook – Non-Executive
	Anthony Swings – Non-Executive (appointed 16 April 2019)
	Nicholas Rory Tapner – Non-Executive Chair (appointed 10 June 2019)
Registered office	2 Moorgate London EC2R 6AG
	(Note: The postal address has changed although the location remains the same)
Registered Auditors	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY

STRATEGIC REPORT

The directors present their Strategic Report for Brown Shipley & Co. Limited ("Brown Shipley" or the "Company") for the year ended 31 December 2019.

Business review of 2019

2019 was an eventful and transformational year for Brown Shipley. As highlighted in last year's financial statements, the Company moved its core activities onto a new IT solution provided by Lombard Odier. This was the culmination of a complex two-year project and we went live on the new platform on 1 July 2019 in line with our planned timetable. This will materially enhance the service and delivery of our services to clients. It is testament to the hard work and skill of many of our colleagues that the migration happened smoothly, on time and without any issues.

In addition, on 1 October 2019, we completed the acquisition of wealth manager, N W Brown & Co. Limited ("NWB"). This is a business operating mainly from offices in Cambridge with a smaller presence in Norwich and managing over £1bn of discretionary funds under management ("FUM"). NWB was established in 1974, and has a strong presence in East Anglia offering financial planning, investment management and employee benefits services. The scope of services offered to clients will be increased as a result of the acquisition, providing clients access to borrowing and a means to finance their future developments.

NWB is a very good cultural fit and shares many values with Brown Shipley, ensuring clients receive timely, clear, straightforward advice and management delivered through excellent, personal client service.

As at the end of the year, NWB continued to operate in its own right as a separate regulated entity. It is therefore shown in the financial statements as an investment in subsidiary and its figures are not included within these results. However, on 1 April 2020 NWB was fully integrated into Brown Shipley and its client assets migrated onto our Lombard Odier platform. We warmly welcome our new colleagues and clients.

Also in 2019, our immediate parent company, KBL European Private Bankers SA, launched a major rebrand and became Quintet Private Bank (Europe) SA ("Quintet"). We have refreshed our brand to reflect the new group identity as can be seen in these financial statements and we, in line with our sister companies in Europe, are using the Quintet Private Bank branding which reflects a group that is working much closer together for the benefit of our clients, an increasing number of whom have relationships with more than one group entity.

Quintet aims to be the most trusted fiduciary of family wealth, to earn trust by an unwavering commitment to do the right thing, to grow and protect clients' wealth as we would our own and to add insight and reduce complexity and add security and reduce worry. Brown Shipley is fully aligned with these aims.

A large part of our revenue and profitability is closely linked to the performance of investment markets. Whilst investment markets finished 2019 close to all-time highs they had been mixed during the year. After a strong first quarter, markets fell on the back of trade tensions and both political and economic uncertainty in the UK and globally. However, we have continued to attract new FUM and clients, both organically and from the new relationship managers recruited in recent years. As highlighted on page 4, core FUM ended the year at £6.9bn, an increase of 44%, +6% due to organic net new money ("NNM"), +24% due to acquisition and +14% due to market increases.

The Company's underlying operating profit before tax, excluding project costs, was £7.7m (£9.9m in 2018). The level and volatility of UK markets adversely impacted the firm's revenues particularly in the summer and autumn when stock market levels were depressed.

A total of £5.5m of project costs (2018 - £4.0m) were also incurred mainly in relation to the major project to move our new IT solution and to a lesser extent on the acquisition of NWB. These costs are included within General Administrative expenses.

The resulting profit before tax was therefore £2.2m, versus £5.9m in 2018.

The banking element of the business continues to grow in line with the Company's strategy. Growth of the loan book continued with an additional £62m of net new lending taking the drawn book to £447m. Client deposits have fallen back from the unusually high levels at the end of 2018 to £684m. The large balance at

the end of 2018 was heavily inflated by a few very large connected deposits. Over the last four years, loans have increased more than threefold and the deposit book has more than doubled.

The low base rate environment continues throughout the UK and Europe compressing margins across the banking industry. The Company continues to invest its clients' deposits very cautiously. The loan to deposit ratio ended the year at just under 60% with the remaining deposits invested either at the Bank of England, in a portfolio of high quality liquid assets or in a limited amount of short-term unsecured lending to highly rated banks. The Company currently lends a maximum of 60% of its deposits and has in place a funding line from its parent to grow its loan book further.

Financial position and key performance indicators (KPIs)

Net operating income grew by 3% to £66.6m helped by a growth in the Company's funds under management and lending to customers as well as a favourable adjustment to the final consideration on the acquisition of the International book of business acquired two years ago.

Average staff numbers increased by 17 during the year as the Company continued to invest in the business.

Balance Sheet movements

The total assets of the Company reduced by just over 10% from £1,037m to £920m over the course of the year, mainly as a result of a reduction in deposits from customers which had been at its highest level ever at the end of 2018. Highlights are as follows:

- Lending to customers has increased by 16% as referenced above
- Deposits from customers were inflated at the end of 2018 by a number of unusually large deposits from long standing clients. They have returned to a more typical level of just under £700m at the end of 2019
- Balances with the Bank of England and other banks have reduced in line with the reduction in deposits from customers
- Goodwill and intangibles have reduced by £4.4m from £25.8m to £21.4m. The biggest movements in this asset are an increase of £3.6m reflecting the new IT platform, an amortisation charge for the year totalling £1.9m and a reduction of £6.0m reflecting the downwards price adjustment on the International business we purchased in 2017 (see Note 21 for more detail).
- Capital has increased by £31m representing new investment from Quintet to help fund the acquisition of NWB. This was done by the issue of £20m of ordinary share capital and a new £10m Additional Tier 1 instrument (see Note 30).

Key performance indicators

The Company uses a range of KPIs to monitor performance. These include the following:

a.) Funds Under Management

The Company's income is driven mainly by the level of FUM given that fee income is based on the value of portfolios. The key metrics used in this respect are as follows:

Growth in total FUM
2019 Growth of 28% to £8.6bn (including £1.1bn acquired)
2018 Fall of 5% to £6.7bn
2017 Growth of 42% to £7.1bn (including £1.7bn acquired)

Growth in Core FUM (those managed on a Discretionary and Advisory basis)
2019 Growth of 44% to £6.9bn (including £1.1bn acquired)
2018 Fall of 2% to £4.8bn
2017 Growth of 31% to £4.9bn (including £0.7bn acquired)

Gross volume growth in Core FUM (new organic inflows only, not acquired)
2019 - £765m
2018 - £687m

2017 - £487m

Percentage of Core FUM managed on a discretionary basis
2019 – 89%
2018 - 86%
2017 - 84%

b.) Profitability measures

Change in underlying profit before tax (i.e. excluding one-off items):
2019 -22%
2018 +19%
2017 +30%

Cost/Income ratio (excluding one-off items):
2019 - 88%
2018 - 85%
2017 - 85%

c.) Regulatory measures

Capital Adequacy: Core Equity Tier 1 ratio:
2019 – 16.2%
2018 - 15.6%
2017 - 14.2%

Liquidity: Liquidity Coverage Ratio
2019 - 286%
2018 - 200%
2017 - 258%
The LCR is a measure of high quality liquid assets held to meet depositor outflows in a 30 day stress scenario, with a regulatory requirement of >100%.

Please see Note 37 for further details.

Brown Shipley's services
Brown Shipley's vision is to be recognised as a trusted partner to its clients and as a leading private bank by providing integrated wealth management solutions to those clients. Brown Shipley's mission is to preserve and grow each client's wealth across generations. The Company aims to increase its client base and funds under management through organic growth, marketing, intermediary development and acquisitions.

Brown Shipley continues to provide wealth management services comprising investment management, financial planning, pensions and banking services to its client base which mainly consists of private individuals. We also provide pensions advice, trusteeship and administration services for clients utilising our own self-invested personal pension and small self-administered pension scheme.

Managing clients' funds on a discretionary basis is at the heart of the Company's offering. Having full discretion, with securities held by our nominee and cash held by us as an authorised bank, allows our investment managers maximum flexibility and enables us to provide quality services efficiently and at a reasonable cost. Increasingly the service provided to clients is that of Wealth Management, a combination of Investment Management along with ongoing Wealth Planning. These services enable the Company to provide clients with advice on all aspects of their financial affairs. The Company also provides advisory management and execution only investment management services.

Brown Shipley is an authorised bank providing a range of banking services to its clients. Current accounts and a charge card are offered alongside term deposit facilities. In recent years the Company has focused on developing its lending business as a complementary service to wealth management. Loans are only offered to enhance the service provided to existing customers or to establish new private banking relationships. Loans are made on a secured basis, for a maximum of five years and at conservative loan to value ratios. Security held for loans comprises mainly investment management portfolios and UK residential property assets.

Section 172(1) Statement - Stakeholder engagement

The Directors have a statutory duty under Section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of shareholders and other stakeholders and to explain how they have discharged their duties, including the likely consequences of their decisions in the longer term and how they have taken wider stakeholders' interests into account.

The Board's key stakeholders, and our engagement with them, are listed below:

Clients – Our clients are at the centre of everything we do, given our role as trusted adviser to them and their wealth. We communicate in many ways, meeting face to face, through quarterly valuations, by email and by post, through our website and our client portal. Members of the Board meet with clients at organised events and we run client surveys and round tables periodically to learn what we do well and what we could improve on.

We know that Sustainability and Climate Change are key issues for clients and in conjunction with Quintet are changing our investment approach to put this at the forefront of our activities.

A key factor in the acquisition of NWB was the belief that we would be able to provide their clients with a broader variety of services as part of Brown Shipley.

Similarly, the client was at the forefront of our decision to move IT platforms so that we could provide them with better technology and improved service.

Colleagues – Management engage regularly with colleagues in a number of ways including emailed Weekly Updates, annual Employee Surveys from which our Exco takes actions to address the most important colleague issues, through quarterly updates delivered by the CEO and Exco team members which inform on performance, project activity, focus areas etc. Of course, with the COVID-19 pandemic we have seen almost all colleagues working from home. We have heightened our communications during that period, making use of all technology available. We provide training and development to colleagues and run 'Emerging Talent' groups to develop our leaders of the future.

We are an equal opportunities employer and all aspects of recruitment and employment are conducted with a commitment to diversity. We actively encourage inclusion and diversity and along with the rest of the industry recognise we have work to do in this area. To address this, we have begun with a focus on gender, and as well as signing up to the Women in Finance Charter, an internal initiative was set up and led by senior females across the organisation, with executive sponsorship from myself. This committee is called Ignite and its purpose is to assist the organisation focus on gender parity by organising events, cementing mentorship and providing education on topics in lunch and learn sessions.

Another example in this area is that the Company's values and behaviours were developed in collaboration with our colleagues, not by our senior management.

Regulators – The Company is a dual-regulated business with the PRA as its lead regulator. Senior Management maintain a regular open dialogue with the PRA either by telephone, email or by face to face meetings, updating on amongst other topics, financial performance, acquisitions, IT projects, operational resilience and very much lately about how COVID is impacting the business and its key stakeholders.

Shareholder – As a privately owned 100% owned subsidiary of Quintet, the Company has only one shareholder to consider and we closely collaborate with Quintet. Two of their Executive Committee sit on our Board and our Executive Committee members all have a 'matrix' reporting line into their Head of Function at Quintet. Extensive Quintet involvement in the IT re-platforming was a critical factor in its success for example.

Suppliers – Our suppliers are essential to ensuring the business runs smoothly and delivers a quality service to its clients. We aim to ensure we pay all suppliers promptly and deal with them fairly. Management have regular contact with our largest suppliers to ensure the relationships continue run smoothly and are committed to paying all suppliers in line with agreed terms.

Community/Environment – Each of our offices is partnered with a local charity and colleagues are encouraged to get involved with helping that charity including having a day's paid annual leave to help that charity. The Company encourages recycling by providing appropriate facilities in all offices. We have a focus on reducing

energy usage and publish details on our website. Our modern slavery statement is also available on our website.

Outlook
I am writing this report in the tenth week of 'lockdown' as a result of the key risk currently facing the business and the global economy today, namely coronavirus ("COVID-19"), something that was not on anyone's risk radar a year ago. At that time we referred to the challenges of the regulatory environment, technological advances and changing customer demands, as well as to Brexit. These risks are all still there but have been somewhat overshadowed.

COVID-19 is affecting economic and financial markets and all businesses are facing challenges associated with this. As the pandemic has grown and spread firms are experiencing conditions akin to a general economic downturn. It is clear that the impact will not be short term and despite government and central bank intervention the downturn will not be averted.

We have seen extreme financial market volatility and erosion to asset prices, drastic cuts to interest rates, increasing unemployment, deteriorating credit and declines in consumer spending. Markets have recovered significantly from their lows of March 2020 but uncertainty remains and it is still unclear when a sense of normality will return or what that will look like. The section on going concern contained within the Directors' Report covers this in more detail.

This review has been prepared in line with guidance provided by the Financial Reporting Council to provide a fair and balanced review of Brown Shipley's business and prospects, without prejudicing the confidential nature of commercially sensitive information. This review contains certain forward-looking statements which are made by the directors in good faith based on the information available to them at the time of their approval of this review. Statements contained within the review should be treated with some caution due to the inherent uncertainties, including economic, regulatory and business risk factors, underlying any such forward looking statements. The review has been prepared to provide information to shareholders and should not be relied upon by any other party or for any other purpose.

By order of the Board

Andrew Curran
Director
22 June 2020

DIRECTORS REPORT

The directors present their Annual Report and financial statements of Brown Shipley for the year ended 31 December 2019.

Results and dividends

The profit for the year after taxation was £2.3m compared with a profit after taxation of £4.3m for the previous year. No dividend has been declared or paid in respect of the current or previous year, and the retained profit has been transferred to reserves.

The Company has applied IFRS 16, effective for annual periods beginning on or after 1 January 2019, for the first time (see Note 1s).

Composition of the Board

The directors at the date of this report are listed on page 1, and have served throughout the year unless otherwise stated.

During the year there was one resignation from the Board, David Rough resigned on 31 August 2019. On behalf of the Board, I would like to thank David for his many years of stewardship and wise counsel and wish him all the very best for his retirement.

I am delighted to take over the reins as Chair at Brown Shipley and the fact that David was the incumbent Chair was an important factor in my decision to do so.

Directors' Shareholdings

None of the directors serving at the year-end (including their families and trusts) had any interests requiring disclosure in the shares of the Company, the ultimate parent company, or other Group companies.

Gender Pay Gap

In common with other employers with more than 250 employees, Brown Shipley has published its Gender Pay Gap for 2019. This report can be found on the Company's website. Again, in common with much of the financial services industry, the gap reflects the fact that there are a greater number of men than women in the more senior and more highly paid roles in the business.

The Board of Brown Shipley is committed to actively seeking to reduce the gap, though it recognises that this may well take time. The Company has enhanced its policies and benefits to encourage women to remain in the business, and continues to invest in IT systems that will support greater remote working. The Board is also keen that the focus on gender does not detract from the importance of encouraging wider diversity, and the Company's policies and procedures are reviewed regularly to reflect this.

Remuneration Policy

The Company's remuneration policy is determined by its Remuneration Committee. At 31 December 2019, the Committee comprised the non-executive directors and was chaired by John Misselbrook. Committee meetings are held at least four times a year in line with the Board committee cycle. The committee's objectives are shown below:

- Monitor the application of the authority on remuneration issues to ensure that policies and principles are being consistently and effectively applied, seeking support and input from HR and Risk as appropriate. Liaise as required with the other Board Committees and with the Risk function in relation to risk-adjusted performance measures.

- Meet all regulatory requirements.

- Have due consideration to the FCA's Conduct Rules and customer outcomes.

- Ensure members of the ExCo are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company.

- To agree remuneration (including bonuses, incentive payments or share awards) for Executive directors based on recommendations from the CEO and ratified by the Shareholder.
- To agree remuneration levels (including bonuses, incentive payments and share awards) for Front Office senior managers, senior Audit, Compliance and Risk staff. No director or manager shall be involved in any decisions as to their own remuneration.
- To ensure that contractual terms on termination, and any payments made, are fair to the individual, and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- Review the Remuneration Policy at least annually to ensure full regulatory compliance.
- The Remuneration Committee takes full account of the Company's strategic objectives in setting the remuneration policy and is mindful of its duties to the shareholders and other stakeholders and to the regulatory requirements which govern remuneration in financial services. The Committee seeks to preserve shareholder value by ensuring successful retention, recruitment and motivation of employees.

The Company falls into Tier 3 under the FCA Remuneration Code.

Composition of remuneration
All employees have a base salary which is paid monthly, agreed either on appointment or as part of their annual remuneration review. This fixed component of an employee's remuneration will be sufficient to allow for no bonus in the event there are years when the Company makes little or no profit.

The Company recognises that within the industry it is normal practice for client facing managers to receive a higher element of variable remuneration than non-income producing managers and in some circumstances such bonuses may be on a contractual basis.

A number of members of staff are considered to be 'Remuneration Code Staff' or 'Material Risk Takers' as defined in the Capital Requirements Regulation ("CRR"). At 31 December 2019, the Company has 16 such staff comprising the 8 Executive Committee members, 6 other senior management staff within control functions and 2 front office relationship managers. The increase in numbers reflects the enlarged Exco and the inclusion of the two relationship managers.

The table below outlines their remuneration. The variable element of remuneration for Executive Committee members consists of bonuses under a Material Risk Taker's bonus scheme linked to company and personal objectives where 70% of the bonus is deferred over a four year period and 50% of the total bonus is allocated into a phantom share arrangement aligned to shares in Quintet.

Aggregate remuneration of Remuneration Code Staff or Material Risk Takers

	2019				2018			
	No. of staff	Fixed £000	Variable £000	Total £000	No. of staff	Fixed £000	Variable £000	Total £000
Key management	16	3,585	1,770	5,355	10	2,338	2,040	4,378

The Company gathers information on market rates and seeks to remain competitive to retain key employees. Where contractual bonuses are agreed, variable remuneration will be linked to profit of the business unit and, at the discretion of the business, will be adjustable in the event of any risk management or compliance issues relating to that business unit. The bonus may be reduced by an equivalent amount of any compensation paid to clients or any costs as a result of operational errors.

Performance review
All employees are assessed through the Company's annual appraisal cycle. The performance of senior income-generating employees is assessed regularly. The focus is on a broad range of key performance indicators including some financial performance measures as well as other factors including a good record in compliance file reviews and adherence to internal policy and procedures, continuous professional development, Investment Policy Committee compliance, adherence to dealing policy, minimising operational losses and timely incident reporting.

The Company reserves the right to reduce bonuses due in the event of failings relating to regulatory conduct and treatment of customers or any other compliance or risk failings.

Aggregate remuneration by business area and average staff numbers

	2019		2018	
	No.	**£000**	**No.**	**£000**
Commercial and support staff	219	23,901	206	24,743
Operations staff	70	3,177	70	3,573
Central overhead staff	73	6,487	75	5,078
Key management (as above)	16	5,355	10	4,379
	378	**38,920**	**361**	**37,773**

The above analysis uses the same business areas as the segmental breakdown in note 9. The actual staff employed by the Company on 31 December 2019 is 366 (2018 - 366).

Employment Policy

The Company gives full and fair consideration to applications for employment from disabled persons and gives those disabled persons in employment opportunities for training, career development and promotion consistent with their capabilities.

The Company consults with employees by means of regular meetings at manager level and above, and the opportunity for individuals to directly communicate with senior staff is also available.

Risk Management

Risk is inherent in the Company's activities and is managed through a process of ongoing identification, mitigation, measurement and monitoring subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each manager and employee is accountable for the risk exposures relating to his or her responsibilities. The Company regards the monitoring and controlling of risks within its business as a fundamental part of the management process. COVID-19 has introduced a new dimension to the firm's risk management, with Business Continuity Plans invoked and its ExCo meeting daily to co-ordinate actions for the first few weeks of the crisis, subsequently reduced to 3 days per week. Regular reporting to the Board has been provided during this period.

Overarching Risk Appetite

The Company's core franchise is not as a deposit-taker and it would not want the risks associated with its non-core activities to have the potential to undermine the core business of acting as wealth manager. Consequently, the Company adopts a conservative appetite for risk, under which it would want to have high confidence that it can survive any potential threats in both normal and stressed conditions.

Individual Risk Appetite

Risk appetite defines the amount and type of risk that the Company is able and willing to accept in the pursuit of its business objectives and strategies. The overall objective is to protect the Company from unacceptable levels of risk while supporting and enabling the overall business strategy (including the assessment of new business opportunities).

Risk appetite articulates the risk boundaries for the Company's services and operating parameters. The Company's risk appetite is framed by an amalgamation of limits and Key Risk Indicators (KRIs). These provide a trigger for management action to address the causes of losses and instances of heightened risk that threaten the stated appetite.

The Board is responsible for:

- Outlining the strategic intent of the organisation, approving risk appetite and as such, the allocation of capital to support this strategy;
- Approving the amount of capital to be retained, sufficient to provide a high degree of confidence that the Company can survive adverse market conditions; and
- Agreeing the risks and activities where the Company would be prepared to deploy surplus capital in the future, should it be required.

The Company's risk appetite is monitored monthly at the Executive Committee, with oversight provided by the Board's appointed Risk and Compliance Committee and the Board.

Risk Philosophy and the Risk Management Framework
The philosophy of the Company is that all members of staff have a responsibility for risk. The Board carries the ultimate responsibility, as stated in the Enterprise Risk Policy and is supported by the Risk function. The Framework also describes the "Three lines of Defence" model operated by the Company and the responsibilities at the various levels within the organisation:

- The first line of defence consists of business line management who ensure that systems and controls are in place and are effective to mitigate the day-to-day risks in the business, comply with processes and escalate issues to senior management and risk governance functions.

- The second line of defence is provided by the Company's control functions of Risk, Compliance, and Finance. These functions monitor adherence to various aspects of the Company's approved risk appetite and are responsible for oversight of various aspects of the effective operation of the internal control framework.

- The third line of defence is the independent assurance provided by Internal Audit and by external auditors.

The structure described above is supported by governance arrangements which, in addition to the day to day oversight by the Risk function and executive management, includes separate Board level committees for Risk and Compliance, and for Audit as well as Executive Risk Committees including the Enterprise Risk Committee (ERC), the Asset and Liability Committee (ALCo) and the Credit Committee.

The Enterprise Risk Committee has a broad mandate covering the spectrum of key risks (including Operational risk), supported by several business level risk committees. These business risk committees are important forums that have been established to enhance first line defences and promote risk management across the Company.

Board Risk, Compliance & Legal Committee
This Committee is responsible for assisting the Board in its oversight of risk, reviewing the Company's risk appetite and risk profile, and reviewing the effectiveness of the Enterprise Risk Management framework. The Committee comprises all independent non-executive directors and two Quintet directors, and it is attended by the CEO and other relevant parties.

Executive Risk Committee Framework
There is an embedded risk committee framework that has the overall responsibility for the development and oversight of risk strategies and the implementing of principles, frameworks, policies and limits. They are responsible for the fundamental risk issues and manage and monitor the relevant risk decisions this includes identifying, evaluating and managing the significant risks faced by the business. The respective committees are comprised of members of the Executive Committee together with senior management from the relevant business areas and personnel from Compliance, HR and Risk Management departments, with Internal Audit in attendance.

Risk Management Function
Overseen by the Chief Risk Officer, Risk Management has been divided into Financial and Non-Financial Risk functions. Business managers remain directly responsible for the level of risk taken in their own areas, whilst the Risk department aims to proactively ensure that activities remain within the limits set by the Board and all other risk committees, at all times. At the end of the year the function was overseen jointly by the Chief Financial Officer and the Head of Compliance as the Chief Risk Officer position was vacant.

The Risk Management function has a close working relationship with Finance, especially through the management and oversight of financial risks. This is illustrated in the Asset and Liability Management Policy, which describes the responsibilities at a detailed level and the escalation processes to Asset and Liability Committee.

The management of non-financial or operational risks is being undertaken within the business areas throughout the organisation, overseen by business risk committees, together with initiatives such as the

production of Risk Registers (including Heat Maps), Risk and Control Self Assessments, Incident Reporting and the deployment of Local Operational Risk Managers (LORMs).

The Risk Management function is responsible for implementing and maintaining risk related procedures to ensure an independent control process. Risk Management is also responsible for monitoring adherence with risk principles, policies and exposures against limits across the Company. Risk Management also undertakes the Company's Internal Capital Adequacy Assessment Process ("ICAAP") to advise the Board, the Management team, and regulatory bodies of the ongoing assessment of the Company's risks, how those risks are mitigated, where possible, and to recommend how much current and future capital is required to support the Company's strategic business plan.

The activities of the Company are subject to regulation by both the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). The former is responsible for prudential regulation of the Company, ensuring it maintains appropriate levels of capital and liquidity, whilst the latter regulates the way it conducts its business. The year has been demanding in this respect with a heavy focus on MIFID2 and GDPR.

The Company uses the standardised approach to calculate its Pillar 1 credit risk and operational risk capital requirement. The Company produces an ICAAP on an annual basis and conducts regular stress testing as part of it capital management framework. The ICAAP was last reviewed by the PRA in 2018.

The Company also produces an Individual Liquidity Adequacy Assessment Process document ("ILAAP") on an annual basis. The Company operates a number of liquidity metrics to ensure that it maintains high levels of liquidity at all times. The ILAAP was last reviewed by the PRA in the first quarter of 2019.

Whenever the Company is involved in acquisition activity, it considers the impact on capital and liquidity by incorporating the expected impact into its ICAAP and ILAAP, and will carry out these processes in addition to the usual annual assessment where appropriate.

Financial risks

The principal financial risks that the Company faces (Credit Risk, Liquidity Risk and Market Risk), together with the policies and procedures for the monitoring and management of those risks, are set out in Note 38 to the financial statements.

Non-financial risks

Competition risk

Brown Shipley operates in a competitive market and therefore there is a risk of loss of clients to competitors or from the loss of key investment professionals. Also, there is a risk that the Company will not gain new clients by failing to respond to changes and demands in the marketplace or from inadequate investment in resources, marketing or distribution.

To mitigate this risk, we continue to invest in the people and resources required to ensure our investment process remains robust, flexible and capable of meeting our clients' needs. The business continuously monitors developments in the marketplaces in which it operates and the Company invests in enhancing or broadening the services offered where it believes it will contribute to growth in earnings.

Recruitment policies stress the importance of employing high quality staff and we ensure that remuneration packages remain competitive. Staff training and development are supported by a dedicated training plan and contracts of employment for all fee earning staff are reviewed regularly and updated whenever necessary.

Reputational risk

Brown Shipley has a reputation as a high quality provider of investment management and wealth management services. There is a risk that significant damage to reputation could lead to the loss of clients and failure to gain new clients. Reputational risk could arise for a wide variety of reasons including poor performance, advice or service, and regulatory censure leading to negative publicity.
This risk is mitigated by preserving and building on our established culture of seeking high professional standards, and fostering a strategic focus throughout the business on the provision of a first class service to our clients. The Company places significant emphasis on training, on compliance with all relevant regulation and statutes. This is monitored and controlled by Internal Audit as well as the Company's compliance department.

Regulatory risk

The banking and financial services sector in which we operate is heavily regulated. Failure to comply with regulatory requirements could lead to fines or other disciplinary action. There is also a risk that changes in, or additional, regulation could adversely affect profitability. To mitigate this risk, we monitor changes in regulation internally and through industry bodies, assess the impact any changes may have on our business and plan to ensure we have sufficient resources.

Technology risk

The continuing delivery of high quality services to clients is to a large extent dependent on a robust and flexible IT infrastructure. Failure of an IT strategy or implementation would have an adverse impact on the business. IT infrastructure is a high priority to monitor, improve and supplement existing systems which is perpetual and ongoing. Additionally the Company keeps abreast of developments in relation to Cyber Crime security and works closely with its parent company Quintet Private Bankers SA ("Quintet"), who provide core system and networks to the Company.

Outsourcing risk

A key activity or service contracted out by us to a third party will be defined as outsourced where it is deemed to be critical or important to the performance of Brown Shipley's regulated and ancillary services. Outsourcing risk is the risk of third party or supplier failure on a scale that can cause disruption, financial costs and reputational damage.

The Company outsources some elements of its day to day operational activities to various third parties, including its parent company Quintet. All material outsourcing relationships are closely monitored and subject to an annual due diligence process.

Operational risk

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, inadequate or failed internal processes and systems. This includes fraud risk, legal risk, business continuity risk and data security risks. It also includes the risks associated with the outsourcing of critical activities and in particular IT and Operational Hub services through our parent company Quintet and Lombard Odier.

The Company actively manages these risks and minimises them where appropriate. This is achieved by the risk framework and the control environment that the Company has in place and which is described in detail above.

- The main mitigating factors of operational risks are: the segregation of duties and, based upon the structure of the organization, the staff selection / training and appraisal processes,
- timely incident reporting (i.e. root cause analysis) and follow up,
- the implementation of standard processes / procedures,
- risk mitigation actions arising from the Risk & Control Self Assessments,
- the involvement of line management as 'Local Operational Risk Managers',
- the regular meeting of Business Risk Committees and the Enterprise Risk Committee,
- the escalation of operational risk reporting to senior management and the Risk, Legal & Compliance Committee or Board,
- the full set up of work processes and procedures,
- the use of the "four eyes" principle,
- the performance of audits covering most activities on a regular basis to an Audit plan and a Company common audit methodology,
- the implementation of a complete compliance framework supported by testing on a sample and non-sample basis,
- a structured program of due diligence with Outsourced Suppliers including the firm's parent company, information and cyber security controls and detailed information security directives,
- a strong Company internal control culture.

Strategic risk

The risk that the Company's strategy is inappropriate or that the Company is unable to implement its strategy is mitigated by a robust business planning process which is subject to the input and scrutiny of the Board as well as that of the Executive Committee of our parent company, Quintet, which sets the overall strategy of the

Group. Quintet own a number of private banks across Europe and therefore have a wide range of experience from which to evaluate and manage strategic risk. The Company's non-executive Directors have considerable experience within the banking and financial services industry and their role in challenging management is valuable in mitigating strategic risk.

The Company's Executive Committee, which usually meets weekly, consists of the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer, Chief Investment Officer, Head of Private Banking, Head of HR and Chief of Staff. The Committee maintains regular contact with key management throughout the business and ensures that activities are appropriately coordinated and controlled in accordance with its strategy. A strong governance structure is in place to provide effective oversight throughout the Company and to provide a transparent process for the escalation of issues.

Climate Change

Climate action was headline news in 2019. The Board recognises that actions will be required to understand the environmental impacts of our business and to reduce them where possible. We are making a sustained effort to mimimise electricity usage, maximise recycling of paper and other waste and to invest for our clients with a focus on sustainability and responsibility. This will be an increased area of attention in 2020.

Risk Policy Statement

The Company's risk policy statement is contained in Note 37.

Directors' Statement as to disclosure of information to Auditors

The directors who were members of the Board at the time of approving the Directors' Report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and

- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a 12 month period from the date these financial statements were approved. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Given the impact of COVID-19, the Board has undertaken additional steps to confirm the Company's going concern status this year, as described in the Risk Management section above, as well as Note 1(a) and Note 39. The Company has had a very strong first five months of the year in profit terms which provides a healthy buffer against future downturns. The Company's capital ratios and liquidity metrics are strong and have not deteriorated at the date of this report.

Further narrative around going concern is given on page 29 in the notes to the accounts.

Re-appointment of auditors

Ernst & Young LLP will continue as auditors to the Company. It is no longer a requirement to hold an Annual General Meeting to reappoint them.

Approved by the Board of Directors and signed on behalf of the Board.

Rory Tapner
Chairman
22 June 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the Company in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and the Companies Act 2006. Company law requires the directors to prepare such financial statements in accordance with IFRS and the Companies Act 2006.

IFRS require that the financial statements fairly present for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with IFRS.
Directors are also required to:

- properly select and apply accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;

- prepare the accounts on a going concern basis unless, having assessed the ability of the Company to continue as a going concern, management either intends to liquidate the entity or cease trading, or has no realistic alternative to doing so; and

- state that the financial statements comply with the requirements of IFRS.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of the Strategic Report and a Directors' Report which complies with the requirement of the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BROWN SHIPLEY & CO. LIMITED

Opinion

We have audited the financial statements of Brown Shipley & Co. Limited 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, cash flow statement and the related notes 1 to 39, 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 company'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.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Overview of our audit approach

Key audit matters	▸ Improper revenue recognition, specifically in relation to management fees and commissions ▸ Incomplete and/or inaccurate data migration in relation to Project Utopia ▸ Impact of Covid-19 in applying the going concern assumption
Materiality	▸ Overall materiality of £0.31m which represents 5% of earnings before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Board Audit Committee

Improper revenue recognition, specifically in relation to management fees and commissions
Refer to the Accounting policies (Note 1q); and Note 4 of the Financial Statements. The total management fees and commissions for the year was £45.6m (2018: £40.4m).
There is a risk that management are able to overstate the management fees by overriding controls and posting inappropriate journals to recognise additional revenue.
There is also the risk that management are able to inflate the value of the commissions earned by overriding the pre-approved commission rates.
	We have performed the following procedures
	▸ We confirmed our understanding of the significant revenue stream processes, identified controls and confirmed the effectiveness of their design to mitigate audit risks
	▸ We performed testing over the adequacy and operating effectiveness of IT General Controls (ITGCs) in GLOBUS and G2 (Brown Shipley's core banking platforms).
	▸ We performed tests of controls in GLOBUS and G2 in connection with:
	  ▸ Input and maintenance of customer static data
	  ▸ Automatic computation of management fees and commissions; and
	  ▸ Completeness and valuation of Assets Under Management ("AUM")
	▸ We have tested client onboarding, dealing and processing controls in relation to the completeness and accuracy of the AUM in the Amsterdam client list as part of the Bank Insigner de Beaufort N.V purchase.
	▸ We performed an analytical review by analysing management fee rates as a percentage of AUM on a quarterly basis and compared movements in management fees to the movement in the underlying AUM. Any trends outside of our expectations were investigated
	▸ For a sample of management fees and commissions:
		The results of our procedures are:
		Based on the procedures performed, we are satisfied that management fees and commissions have been appropriately recognised.

<table>
<tr><th>Risk</th><th>Our response to the risk</th><th>Key observations communicated to the Board Audit Committee</th></tr>
<tr><td></td><td>Re-performed the calculation of management fees and commissions
Agreed fee rates in the calculation to investment management agreements
We tested a sample of manual journal entries relating to management fees and commissions
We agreed a sample of AUM data in the management fee calculations to customer statements</td><td></td></tr>
<tr><td>Incomplete and/or inaccurate data migration in relation to Project Utopia
Brown Shipley replaced its legacy systems (GLOBUS, SUN, WDX and EDM) with the new integrated G2 platform developed by Lombard Odier during the year.
The transition of platforms went live on 1 July 2019. There are two key considerations for our audit strategy as a result of the system migration, these are:
The integrity of data migrated from the legacy systems to the G2 system. There is a risk that data migrated to the new G2 system is incomplete and/or inaccurate
The need to obtain an understanding of all key processes post-migration and how the implementation of G2 affected the control environment</td><td>We have performed the following procedures:
In relation to the completeness and accuracy of data migrated we:
Reviewed the effectiveness of the governance structure over the migration process;
Reviewed reconciliations and resolution of discrepancies before, during and after the migration; and
Substantively tested the completeness and accuracy of the migration for a sample of data/line items.
We performed additional walkthroughs for all significant and relevant business processes post-migration to the G2 system, gained an understanding of the processes and identified and tested new controls accordingly.</td><td>The results of our procedures are:
Based on the procedures performed, we are satisfied that the data migrated in relation to Project Utopia have been complete and accurate.</td></tr>
<tr><td>Impact of COVID-19 in applying the going concern assumption
Refer to the Strategic Report (page 7; the Directors Report (page 14); the Basis of preparation note 1a (page 29); and note 39 of the financial statements (page 67)
The COVID-19 pandemic has had a significant impact</td><td>We have performed the following procedures:
Obtained and challenged management's assessment of going concern which includes consideration of the impact of COVID-19. Procedures included assessing management information on the company's business, financial and operational performance during the post balance sheet period which included</td><td>The results of our procedures are:
Based on the results of our procedures and evidence obtained, we were satisfied that the potential impact of Covid-19 had been appropriately considered and concluded that the going concern assumption remains appropriate.</td></tr>
</table>

Risk	Our response to the risk	Key observations communicated to the Board Audit Committee
on the global and UK economy. As at the date of our report, there remains uncertainty around the nature and extent of the prolonged impact and the economic recovery. There is a risk that the Directors have drawn inappropriate conclusions regarding the going concern basis and that the disclosures in the financial statements are inadequate or inappropriate. As a result of the uncertainty there is a risk that a prolonged market decline which would depress the Company's asset-based fees, its principal revenue source, would impact profitability. There is also a risk of customer deposit outflows which would impact on the firm's liquidity, including its regulatory minimum threshold, as well as a deterioration in the loan book as a result of credit losses.	obtaining an understanding and challenging the impact of: ► Financial performance, assets under management and customer deposit outflows ► Key business process continuity ► Operational losses and high-risk events ► Assessing the impact to liquidity and profitability ratios of any: ► Loan impairments or defaults reported to us by management ► Deterioration of asset prices in loan to value ratios on client facilities, and any resultant collateral breaches and margin calls post year end, as reported to us by management ► Assessed the reasonableness of management's ability to implement its stated mitigating actions to respond to the financial impact of COVID-19, which are primarily focused on reducing its cost base ► Performed a review of the latest ICAAP, ILAAP and reverse stress testing where we challenged the reasonableness of key assumptions and the severity of stress applied in the context of the current economic environment and future uncertainty and: ► Assessed through inspection whether the regulatory capital surplus would remain sufficient based on latest forecasts provided by management ► Assessed through inspection the forecasted liquidity position, including the ability of the company to meet its obligations as they fall due ► Inspected all key management, committee and board of directors meeting minutes for any indications that the going concern basis of preparation may not be appropriate ► We read the financial statement disclosures in respect of going concern in note 1(a) and the post balance sheet impact of Covid-19 in note 39, to determine whether they were consistent with the results of management's forecasts and in accordance with the requirements of IFRS	The disclosures in Note 1(a) and Note 39 adequately reflect the Directors' conclusions around the uncertainties and impact of COVID-19.

We re-assessed the risks determined at the planning stage of the audit and, due to the uncertainty in markets caused by the COVID-19 pandemic, we revised our risk assessment to include the Key Audit Matter 'Impact of COVID-19 in applying the going concern assumption'.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £0.31m (2018: £0.29m), which is 5% (2018: 5%) of earnings before tax (excluding one-off costs totalling £4.9m). We believe that this measure is the most important financial metric on which shareholders would judge the performance of the Company, and accordingly consider this to be an appropriate metric to determine materiality.

During the course of our audit, we reassessed initial materiality determined during the planning stage of the audit and have updated our final materiality using the actual year-end earnings before tax.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely £0.27m (2018: £0.22m). We have set performance materiality at this percentage based on our understanding of the control environment that indicates a lower risk of material misstatements, both corrected and uncorrected.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Board Audit Committee that we would report to them all uncorrected audit differences in excess of £0.016m (2018: £0.014m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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 directors are responsible for the other information.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are Companies Act 2006
- We understood how Brown Shipley & Co. Limited is complying with those frameworks through discussions with the Board Audit Committee and Company Secretary in combination with a review of the Company's documented policies and procedures
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to improper revenue recognition, specifically in relation to management fees and commissions. Further discussion of our approach is set out in the section on key audit matters above
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company

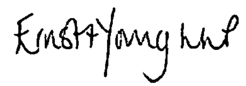
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company at its annual general meeting on 17 July 2006 to audit the financial statements of the company for the year ending 31 December 2006 and subsequent financial periods. Following a competitive tender process, we were reappointed as auditor of the company for the period ending 31 December 2017 and subsequent financial periods
- Our total uninterrupted period of engagement is 14 years, covering periods from our initial appointment through to the period ending 31 December 2019
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the company in conducting the audit
- The audit opinion is consistent with the additional report to the Board Audit Committee

Use of our report

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



Caroline Mercer
(Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

23 June 2020

INCOME STATEMENT
For the year ended 31 December 2019

	Note	2019 £000	restated 2018 £000
Interest and similar income	3	16,462	14,100
Interest and similar expense	3	(4,162)	(3,373)
Net interest income		**12,300**	**10,727**
Fee and commission income	4	55,352	55,866
Fee and commission expense	4	(2,589)	(3,658)
Net fees and commission income		**52,763**	**52,208**
Dividend income	5	14	12
Net gains from financial instruments at fair value through profit or loss	6	701	1,148
Net losses from financial instruments not measured at fair value through profit or loss	7	(23)	(6)
Other operating income	8	805	1
Net operating income		**66,560**	**64,090**
Staff expenses	9	(41,633)	(41,064)
General administrative expenses		(18,293)	(13,978)
Depreciation of property and equipment	20	(2,378)	(526)
Amortisation of intangible assets	21	(1,899)	(2,417)
Movement on provisions	28	(68)	(4)
Total operating expenses	10	**(64,271)**	**(57,989)**
Impairment	11	(73)	(216)
Profit before tax		**2,216**	**5,885**
Income tax charge	12	(11)	(1,574)
Profit for the year		**2,205**	**4,311**

The above results are derived from continuing operations.

The accompanying notes on pages 29 to 67 form an integral part of the annual report.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	2019 £000	restated 2018 £000
Profit for the year		**2,205**	**4,311**
Other comprehensive income / (expense), net of tax			
Items that will not be reclassified to profit or loss			
Defined Benefit Pension Scheme:			
Actuarial (loss) / gain arising during the year	27	(1,080)	1,195
Deferred tax credit / (charge)	12	169	(264)
Net (loss) / gain on Defined Benefit Pension Scheme		(911)	931
Total comprehensive income for the year attributable to the equity shareholders		**1,294**	**5,242**

The accompanying notes on pages 29 to 67 form an integral part of the annual report.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

Company registered number: 00398426

	Note	2019 £000	restated 2018 £000
Assets			
Cash and balances at central banks	13	177,773	311,087
Financial Assets			
Loans and advances to banks	14	75,983	184,504
Loans and advances to customers	15	447,249	385,186
Derivative financial instruments - held for trading	16	474	280
Investments - Non-trading at fair value through profit or loss	17	1,265	921
Debt Securities at amortised cost	18	132,285	104,067
Other receivables	19	12,447	21,437
Property and equipment	20	10,457	1,878
Goodwill and other intangible assets	21	21,384	25,797
Deferred Tax	22	1,966	1,309
Investment in subsidiaries	23	38,294	101
Total assets		**919,577**	**1,036,567**
Liabilities			
Deposits from banks	24	64,162	7,284
Deposits from customers	25	684,220	905,705
Derivative financial instruments - held for trading	16	645	373
Other liabilities	26	39,148	24,836
Pensions and similar obligations	27	5,851	4,902
Provisions	28	147	95
Current tax liabilities		83	534
		794,256	943,729
Total Equity			
Called up share capital	29	81,824	60,824
AT1 Equity Instrument	30	10,000	-
Retained earnings	31	33,497	32,014
		125,321	92,838
Total liabilities and equity		**919,577**	**1,036,567**

The accompanying notes on pages 29 to 67 form an integral part of the annual report.

These financial statements on pages 29 to 67 were approved by the Board on 22 June 2020 and signed on their behalf by:

Andrew Curran (Director) **Alan Mathewson (Director)**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Issued and paid-up share capital	AT1 Equity Instrument	Retained Earnings	Revaluation reserve	Shareholders' equity
	£000	£000	£000	£000	£000
2019					
Balance at beginning of year	**60,824**	**-**	**32,014**	**-**	**92,838**
IFRS 16 adoption (Note 1s)	-	-	189	-	189
Restated Opening balance under IFRS 16	**60,824**	**-**	**32,203**	**-**	**93,027**
Total comprehensive income	-	-	1,294	-	1,294
New Issue of Equity	21,000	10,000	-	-	31,000
Balance at end of year	**81,824**	**10,000**	**33,497**	**-**	**125,321**
2018					
Balance at beginning of year (restated under IFRS 9)	**60,824**	**-**	**26,603**	**169**	**87,596**
Prior year reclassification of Investments under IFRS 9 (Note 1u)	-	-	169	(169)	-
Restated Opening Balance	**60,824**	**-**	**26,772**	**-**	**87,596**
Total comprehensive income	-	-	5,242	-	5,242
Balance at end of year	**60,824**	**-**	**32,014**	**-**	**92,838**
	Note 29	**Note 30**	**Note 31**	**Note 31**	

The accompanying notes on pages 29 to 67 form an integral part of the annual report.

CASH FLOW STATEMENT
For the year ended 31 December 2019

	2019 £000	2018 £000
OPERATING ACTIVITIES		
Net profit before tax on continuing activities	2,216	5,885
Adjustments for:		
Changes in operating assets	(28,200)	(6,798)
Changes in operating liabilities	(203,899)	326,199
Impact of IFRS 16 / 9	189	(73)
Income taxes paid	(948)	(1,822)
Depreciation of property and equipment	2,378	526
Amortisation of intangible assets	1,899	2,417
Loss on disposal of property and equipment	372	16
Changes in provisions	68	4
Changes in pension deficit provision	(131)	(27)
Net cash flows arising from provision movements	(16)	(5)
Net cash from operating activities	**(226,071)**	**326,321**
INVESTING ACTIVITIES		
Consideration paid on acquisition of NWB	(29,407)	-
Purchase of property and equipment	(288)	(394)
Purchase of intangible assets	(3,635)	(136)
Net cash used in investing activities	**(33,330)**	**(530)**
FINANCING ACTIVITIES		
Consideration received on issue of new share capital	21,000	-
Consideration received on issue of AT1 equity instrument	10,000	-
Repayment of principal portion of lease liabilities	(2,397)	-
Net cash used in financing activities	**28,653**	**-**
Net (decrease) increase in cash and cash equivalents	**(230,748)**	**325,791**
Cash and cash equivalents at the beginning of the year	410,305	84,514
Cash and cash equivalents at the end of the year	**179,558**	**410,305**
Components of cash and cash equivalents		
Cash and balances at central banks	177,773	311,087
Loans and advances to banks repayable on demand and less than 3 months	65,946	106,502
Deposits from banks repayable on demand and less than 3 months	(64,162)	(7,284)
	179,558	**410,305**
Operational cash flows from interest and dividends		
Interest paid	3,965	3,128
Interest received	16,670	13,970
Dividends received	14	12

The accompanying notes on pages 29 to 67 form an integral part of the annual report.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 Statement of Accounting Policies

a. Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, "IFRS".

The Company has taken advantage of the exemption under IFRS 10 (Paragraph 4(a)) and has not prepared consolidated financial statements. The Company therefore accounts for its Investment in Subsidiaries in its own Statement of Financial position at their fair value.

The financial statements have been prepared under the historical cost convention, except for certain financial assets held at fair value.

In these financial statements, the Bank has applied IFRS 16 relating to leases for the first time. The Bank has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The accounting policies set out below which have been adopted are consistent with those used in the previous financial year.

Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. This assessment has fully evaluated the impact of COVID-19 on the business. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Our annual ICAAP, which has recently been approved by the Board, uses a stressed scenario of greater magnitude than the one we have been in and are in now and shows that the Company is able to survive by taking credible management actions. In addition the Company undertakes detailed regular reforecasting of its business plan and has modelled a number of different adverse scenarios of increasing severity which again it is able to survive. Many different variables are stressed in these scenarios, the key ones being the level of stock markets which impacts on AUM and depositor outflows.

b. Provisions

Provisions are set aside for present obligations which arise from past events, where it is expected that a payment will be required to settle the obligation and the amount of the provision can be reliably estimated. Provisions are charged to the profit and loss account and are not discounted.

Full details of provisions are shown in Note 28.

c. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies have been translated at the rates of exchange prevailing at the balance sheet date. Income and expenditure in foreign currencies have been translated at rates of exchange prevailing at transaction dates. Foreign exchange gains and losses are recognised in the income statement. The functional and presentational currency of these financial statements is in Pounds Sterling.

d. Significant accounting judgements and estimates

In the process of applying the Company's accounting policies, management has used its judgment and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgment and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but, where this is not feasible, a degree of judgment is required in establishing fair values. The

judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives. See Note 35 which includes sensitivity analysis.

Deferred tax assets
Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available in the foreseeable future against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. See Note 22.

Pensions
The obligation of the Fairmount Group Staff Pension Scheme, the Company's legacy closed defined benefit pension plan, is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. See Note 27 for the assumptions used.

Goodwill and intangible assets (customer relationships)
These assets are subject to impairment review on at least an annual basis and the assumptions used in the impairment reviews are disclosed in Note 21. The Company makes estimates about the expected duration of customer relationships to determine the amortisation period. Such estimates are based on a variety of factors including past experience, age profile of the customer base and expectations for the future. The Company performs a sensitivity analysis around the variables used in the review.

e. Financial assets and financial liabilities – IFRS 9

Date of recognition
Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Company recognises balances due to customers when funds are transferred to the Company.

Initial recognition and measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Categories of financial assets and financial liabilities
From 1 January 2018, the Company has applied IFRS 9 and classified its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL),
- Fair value through other comprehensive income (FVOCI),
- Amortised cost.

The classification requirements for debt instruments are described below:

Debt instruments
Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government bonds and corporate bonds.

Classification and subsequent measurement of debt instrument depend on:
- The Group's business model for managing the asset,
- The cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instrument into one of the following measurement categories.

- *Financial assets at fair value through profit or loss (FVPL)*

Financial assets at fair value through profit or loss include held-for-trading assets, any assets that do not meet the criteria for amortized cost or FVOCI and other financial assets initially designated at fair value through profit or loss. The gain or loss are presented in the period in which it arises within the income statement.

Held-for-trading assets are those acquired principally for the purpose of selling them in the near term and those which are part of a portfolio with indications of recent short-term profit-taking. A gain or loss on a financial instrument measured at fair value through profit or loss that is not part of hedging relationship is recognised in profit or loss and presented in the income statement in the period in which it arises.
All derivative assets are considered as being held-for-trading.

All unquoted investments, except for investment in subsidiary were reclassified as FVPL in these financial statements, with a restatement of Prior year comparatives - see (Note 1t).

- *Financial assets at Amortised cost*

Financial assets are classified as at amortised cost if both of the following characteristics are met:
- The financial asset is held within a business model to collect contractual cash flows,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Company does not hold any Debt Instruments at FVOCI.

The details of these conditions are outlined below.

These assets are mainly composed of debt securities, loans and advances and receivables. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Interest income from these financial assets is calculated using the effective interest rate ("EIR") method.

Business model assessment
The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable the financial assets are classified as part of another business model and measured at FVPL.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. The Company's business model for all loans and advances are held to collect the contractual cash flows.
The SPPI test
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement.

Financial liabilities

Financial liabilities at fair value through profit or loss encompass held-for-trading liabilities and financial liabilities initially designated at fair value through profit or loss. This includes the contingent consideration on acquisitions.

Held-for-trading liabilities are liabilities held mainly with the intention of repurchasing them in the near term. All derivative liabilities are considered as being held-for-trading unless designated as effective hedging instruments.

f. Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and the Company has transferred substantially all the risks and rewards of the asset. The asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expires. When the financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, the difference in the respective carrying amounts is recognised in the income statement.

g. Determination of fair value

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and offer price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

h. Additional Tier 1 Instrument

The instrument has a defined coupon, but the payment of interest and the redemption of principal, is at the discretion of the Company and therefore there is no definite financial obligation. In addition the conversion of the instrument only occurs in the event of an adverse regulatory capital trigger point and would result in the issue of a fixed number of shares.

i. Impairment of financial assets

Under IFRS 9 the Company's loan loss impairment method uses a forward-looking ECL approach. The Company has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined below). The Company's policies for determining if there has been a significant increase in credit risk are set out in Note 38 (Risk management)

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 38.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, and Stage 3, as described below:

- Stage 1: When loans are first recognised they are categorised as Stage 1 and the Company recognises an allowance based on 12mECLs. Stage 1 loans can also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 loans can also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

- Stage 3: If a loan is subsequently considered credit-impaired (as outlined in Note 38). The Company records an allowance for the LTECLs.

To assess whether the credit risk of a financial instrument has increased significantly, a combination of quantitative and qualitative factors is considered. These include the analysis of the term structure of the probability of default as well as watchlist surveillance based on reasonable and supportable information. The credit risk assessment is symmetrical in nature, allowing financial assets to move back to stage 1 if the variation of credit risk is no longer considered a significant increase or if the financial assets have been forborne (to be assessed case by case).

j. Fair value of collateral held

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. Collateral is generally only held for credit commitments to customers. The collateral comes in various forms such as cash, securities, and property and investment portfolios. The fair value of collateral is generally assessed, at a minimum, at inception. However some collateral, for example cash/securities relating to margining requirements on investment management portfolios held as collateral against credit facilities are valued daily.

To the extent possible, the Company uses active market data for valuing financial assets, held as collateral. Non-financial collateral, such as property, is valued based on the most recent independent valuation held. (See note 38 for further analysis of collateral).

k. Offsetting financial instruments

Under IAS 32 financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position where there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Company has no offsets at present.

l. Cash and balances at central banks / Cash and cash equivalents

Cash and balances at central banks as referred to in the statement of financial position comprise current accounts with central banks. Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, current accounts with central banks and amounts due to and from banks on demand or with an original maturity of three months or less.

m. Property, plant and equipment

The cost of an item of property and equipment shall be recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged on such assets so as to write off the cost of assets over their estimated useful lives, using the straight-line method. In practice, leasehold improvements are depreciated over the remaining life of the relevant lease and office equipment and computer hardware is depreciated over two to five years.
At each year end, the Company reviews the carrying amount of its tangible assets. Impairment is recognised if the carrying value of an asset exceeds the recoverable value (the higher of the value in use or the net selling value). Impairment is recognised in the income statement.

Gains and losses on disposal are determined by comparing the proceeds on sale with the carrying amount of the asset, and are recognised in the income statement.

n. Goodwill

Purchased goodwill represents the excess of the cost of an acquisition over the Company's interest in the fair value of identifiable assets acquired and liabilities assumed. Goodwill is capitalised at cost and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

o. Intangible assets

Intangible assets represent either computer software or acquired customer relationships. These are recognised at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated using the straight line method to write down the cost over the estimated useful life of the asset. Computer software is amortised over two to five years. Customer relationships are amortised over ten to fifteen years depending on their nature.

At each year end, the Company reviews the carrying amount of its intangible assets. Impairment is recognised if the carrying value of an asset exceeds the recoverable value (the higher of the value in use or the net selling value). Impairment is recognised in the income statement.

Gains and losses on disposal are determined by comparing the proceeds on sale with the carrying amount of the asset, and are recognised in the income statement.

p. Taxation

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and, when temporary differences are associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. The only exception is where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and, when temporary differences are associated with investments in subsidiaries and associates.

The carrying amount of deferred tax assets is reviewed at each year end and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each year end and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

q. Income recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable in the normal course of business net of value added tax.
Under IFRS 9, Interest income and expense is recognised in the income statement for all instruments measured at amortised cost. Interest is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to its net carrying amount. When calculating an effective interest rate, the Company estimates the future cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and commissions paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Recurring fees and commissions related to banking, investment management, fund management and pension's administration are recognised on an accruals basis when the service has been provided, i.e. over the time the ongoing service was provided. Most clients are billed quarterly in arrears but other billing frequencies do exist (i.e. half yearly in advance for some pension clients). Transactional fees and commissions

receivable and payable are related to these same activities and are recognised on the day of the transaction (i.e. at a specific point in time) except for bank lending fees which are amortised to income on an effective yield basis over the period of the loan. Bank charges are recognised when levied.

r. Pensions

The Company operates a defined contribution scheme for employees, which most employees are members of. In a number of instances it makes contributions to employees' self-invested personal pensions. In addition, it has a legacy defined benefit scheme which was closed to the future accrual of benefits in 2005.

Defined contribution schemes - a defined contribution scheme is one under which the Company pays a fixed contribution into a separate entity, usually a privately administered pension insurance plan. The Company has no legal or constructive obligations to pay further contributions to such schemes under any circumstance. Contributions are recognised as an employee benefit expense when they are due.

Defined benefit scheme - a defined benefit scheme is one that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The pension expenses and obligations are calculated according to IAS19. Actuarial gains and losses are recognised by the Company in full through the statement of comprehensive income. The deficit recognised in the statement of financial position is the present value of the defined benefit obligation at the yearend less the fair value of the scheme assets. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method with actuarial calculations carried out on an annual basis.

s. Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases. It is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less).

At the commencement date of the lease, a lessee recognises a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability (Note 3) and the depreciation expense on the right-of-use asset (Note 20).

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Company elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

Transition to IFRS 16

IFRS16 offers a range of transition options.

The Company elects to use a number of practical expedients:

- The standard is applied retrospectively without restating comparative information;
- Right-of-use asset at the date of the initial application is re-measured for an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments;

Lease contracts for which the lease terms end within 12 months as of the date of initial application or where the value of the leased asset is less than five thousand pounds are not capitalised in accordance with IFRS 16.

	31.12.2018	Application of IFRS 16	1.1.2019
	£000	£000	£000
Property and Equipment	1,878	10,890	12,768
Add Prepaid lease payments	-	151	151
	1,878	11,041	12,919
Other Liabilities – Lease liability	-	(10,890)	(10,890)
Other Liabilities – Rent accrual	(38)	(151)	(189)
Retained Earnings (part of Equity)	(32,014)	(189)	(32,203)

A rent accrual (part of deferred income and accrued expenses) was used under IAS 17 when accounting for operating leases with rent free periods. The total rent payable under the term of the lease was amortised over the lease term in the income statement and credited to the rent accrual. The invoice received from the landlord was debited to the rent accrual. On transition to IFRS 16 this rent accrual balance of £189k was no longer required and transferred to retained earnings.

t. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4). IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. This standard is not applicable to the Company.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Amendments to IAS1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Company's Financial statements.

u. Restatement of prior year comparatives

The Company has restated prior year comparatives in these financial statements due to an error in relation to its classification of investments under IFRS 9. Upon initial recognition on 1 January 2018, the Company elected to classify irrevocably its holding of Visa Inc. Series B Preference shares as equity instruments at FVOCI. These are quite complicated financial instruments with a variable conversion rate based on a number of factors. After long consideration, management has made a decision to recognise as FVPL. This error correction is brought about as the Visa preference share is a non-derivative instrument for which the entity (Visa Inc.) is obliged to deliver a variable number of Visa Inc.'s own equity instruments. It meets the definition of a financial liability under IAS 32.11(b) (i) and is therefore considered a debt instrument for which the FVOCI election is not permitted.
Following are extracts of the 2018 financial statements as reported in 2018 and as restated in the 2019 financial statements:

The restatement of the 2018 retained earnings and revaluation reserve also included an adjustment of £169k made to opening balances as at 1 January 2018.

	2018 restated	2018 as reported	Change
Income Statement	£000	£000	£000
Net gains from financial instruments FVPL	1,148	1,014	134
Income tax charge	(1,574)	(1,548)	(25)
Profit for the year	**4,311**	**4,203**	**108**
Statement of Comprehensive Income			
Investments FVOCI – unrealised gains arising during the year	-	134	(134)
Current tax charge	-	(25)	25
Statement of Financial Position			
Investments – non-trading FVPL	921	4	917
Equities - FVOCI	-	917	(917)
Retained Earnings (part of Equity)	32,014	31,736	278
Revaluation Reserve (part of Equity)	-	278	(278)

2 Segmental analysis

The Company has taken advantage of the exemption in IFRS 8 (Paragraph 2(a)) not to disclose segmental information on the basis that it has no equity or debt instruments that are publicly traded.

3 Net interest income

	2019	2018
Interest income	£000	£000
Cash and balances with central banks	1,692	867
From banks	1,224	1,557
From customers	11,410	10,873
Debt instruments at Amortised Cost	1,199	804
Derivative Financial Instruments – Held for Trading	938	-
	16,462	14,100
Interest expense		
To banks	(123)	(63)
To parent company – risk participation agreements/loan funding	(376)	(1,223)
To customers	(3,273)	(2,088)
Interest on Lease Liabilities – IFRS 16	(245)	-
Derivative Financial Instruments – Held for Trading	(145)	-
	(4,162)	(3,373)
Net interest income	**12,300**	**10,727**

The net interest income and expense on Derivative Financial Instruments is now shown within net interest income. In 2018 this was reported within Note 6 - Net gains from financial assets at fair value through profit or loss. Comparatives have not been restated as this is a presentational change and is not due to a change in accounting policy or error.

4 Net fee and commission income

	2019	2018
Fee and commission income	£000	£000
Asset management	41,517	42,232
Fund management	3,381	2,887
Wealth planning	7,081	7,564
Pensions administration	2,354	2,119
Lending	410	405
Other	609	659
	55,352	**55,866**
Fees rebated to Introducers/Intermediaries	(61)	(151)
Custody charges	(194)	(260)
Clearing and settlement costs	(1,087)	(1,944)
External asset management charges	(906)	(1,036)
Due to parent company – commitment fees	(194)	-
Other fees paid	(147)	(267)
	(2,589)	**(3,658)**
Net fee and commission income	**52,763**	**52,208**
Recognised over time	49,037	47,865
Recognised at a point in time	6,315	8,001
	55,352	55,866

5 Dividends

a. Dividends received:

	2019	2018
	£000	£000
FVPL Securities	14	12
	14	**12**

b. Dividends Paid

No dividends were paid or proposed by the Company in respect of the year ended 31 December 2019 or 31 December 2018.

6 Net gains from financial instruments at fair value through profit or loss

	2019	restated 2018
	£000	£000
Interest rate derivative contracts – change in Fair value	(45)	6
Interest Income and Expense on Derivative financial instruments	-	522
Foreign exchange income	381	486
Investments - FVPL	365	134
	701	**1,148**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

Foreign exchange transactions include gains and losses from spot and forward contracts and translated foreign currency.

Interest income and expense on all derivative financial instruments are shown in Note 3. Prior year comparatives have not been restated.

All unquoted investments, except for investment in subsidiary, are classified as FVPL in these financial statements, with the unrealised gains and losses shown in the Income statement – see Note 1u for details of prior year restatement.

7 Net gains from financial assets not measured at fair value through profit or loss

	2019 £000	2018 £000
Debt Securities at Amortised cost	(22)	(8)
	(22)	**(6)**

8 Other Operating Income

	2019 £000	2018 £000
Loss on disposal of tangible fixed assets	-	(16)
Gain on intangible fixed assets	728	-
Other income	77	17
	805	**1**

At the end of 2019, there was a final adjustment to the purchase consideration in respect of on acquisition made in 2017 in line with the contract governing that purchase. This has resulted in a write back of the amortisation previously expensed to the Income Statement up to the 31 December 2018 of £0.7m. This write back of amortisation is shown as a gain on intangible fixed assets.

9 Staff expenses

	2019 No.	2018 No.
Staff numbers (in full time equivalents, ("FTEs"))		
Breakdown by division:		
Commercial and support staff	222	207
Operations staff	70	70
Central Overhead staff	86	84
Total average number of FTEs employed	**378**	**361**

	2019 £000	2018 £000
Wages and salaries (including bonus costs)	31,675	30,776
Social security costs	3,983	3,915
Pension costs: Defined contribution plans (Note 27a)	2,458	2,212
Pension costs: Defined benefit plans (Note 27b)	143	247
External Contractor Costs	1,389	1,798
Other staff costs	1,985	2,116
	41,633	**41,064**

10 Operating expenses

	2019 £000	2018 £000
Staff costs (Note 9)	41,633	41,064
Loss on disposal of Fixed Assets (Note 20)	371	-
Depreciation of property, plant and equipment (Note 20)	2,378	526
Amortisation of intangible assets (Note 21)	1,899	2,417
Auditors' remuneration for audit services of financial statements – Ernst & Young LLP	208	151
Amounts payable to auditors for other services: - CASS, CSSF Long Form, Solvency	36	41
- Middle East market entry strategy	-	13
- Accounting opinion on issue of AT1 Capital	13	-
- Audit of Defined Benefit Pension Scheme	-	7
Provisions for risks and charges (Note 27)	68	4
Operating lease rentals	-	1,866
Other administrative expenses	17,665	11,900
	64,271	**57,989**

11 Impairment

	2019 £000	2018 £000
Goodwill & Intangible Assets	90	127
Balances at Central banks : ECL – Stage 1	(24)	41
Debt instruments at Amortised cost : ECL - Stage 1	1	1
Loans to Banks : ECL – Stage 1	(48)	34
Loans to Customers : ECL – Stage 1	17	15
Loans to Customers : ECL – Stage 2	14	(2)
Loans to Customers : ECL – Stage 3	23	-
	73	**216**

During December 2019 the Directors' undertook an impairment review of the Company's intangible assets and goodwill. The impairment review compared the Carrying Value of these assets to the Recoverable Amount (determined as the higher of the Fair Value Less Costs of Disposal and the Value in Use).

Expected Credit losses (ECLs) decreased by £17k during the year for On Balance Sheet financial assets, all of which were individually assessed allowances.

12 Tax

	2019 £000	restated 2018 £000
Tax charged in the income statement:		
Current income tax:		
- UK Corporation tax – current year movements	(566)	(1,395)
- UK Corporation tax – prior year movements	62	(16)
	(504)	(1,411)
Deferred tax (Note 22)		
- Current year movements	493	(162)

Tax charge in the income statement	**(11)**	**(1,574)**
Tax charged in the statement of comprehensive Income:		
Deferred Tax charge / credit (Note 22)		
- Actuarial gains / (losses) on Pension Scheme	169	(264)
Tax credit / (charge) in the statement of comprehensive income	**169**	**(289)**
Total tax credit / (charge) for the period	**158**	**(1,837)**

Corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2019 £000	**restated 2018 £000**
Profit on ordinary activities before tax	2,216	5,885

	2019 £000	**2018 £000**
Tax at UK corporation tax rate of 19% (2018 – 19%)	(421)	(1,118)
Expenses not deductible for tax purposes	(204)	(114)
Non-qualifying depreciation and effect of changes in tax rates	(18)	(324)
Recognition of previously unrecognised tax losses	458	-
Utilisation of previously unrecognised tax losses	119	-
Current tax adjustment in respect of prior years	62	(16)
Other difference	(7)	(2)
Total tax charge for the period	**(11)**	**(1,574)**

13 Cash and balances at central banks

	2019 £000	**2018 £000**
Bank of England Reserve Account	177,810	311,147
Less: Individual allowances for impairment losses (ECLs)	(36)	(60)
	177,773	**311,087**

An analysis of changes in the ECL allowances is as follows:	Stage 1	Stage 1
As at 1 January 2019 / 2018 (first time adoption)	(60)	(19)
New assets originated or purchased	24	(41)
As at 31 December 2019	**(36)**	**(60)**

The account earns interest at UK base rate. In common with other banks, Brown Shipley operates the Reserve Account partly to allow it to satisfy the PRA's quantitative liquidity requirements.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

14 Loans and advances to banks and building societies

	2019 £000	2018 £000
Current accounts	1,917	539
Current accounts with parent company	9,699	9,642
Current account with group company	96	144
Call accounts	508	158
Term deposits	14,271	29,908
Term deposits with parent company	12,305	5,084
Certificates of Deposit	37,218	139,107
Less: Individual allowances for impairment losses (ECLs)	(31)	(78)
	75,983	**184,504**

An analysis of changes in the ECL allowances is as follows:

	Stage 1	Stage 1
As at 1 January 2019 / 2018 (first time adoption)	(78)	(44)
New assets originated or purchased	(9)	(54)
Assets derecognised or paid	54	36
Net impairment changes due to change in credit risk	2	(16)
As at 31 December 2019	**(31)**	**(78)**

15 Loans and advances to customers

	2019 £000	2018 £000
On demand and short notice facilities	107,800	605
Credit for personal consumption	525	6,924
Lending for property purchase or transformation	171,882	234,365
Loans secured on investment portfolios (Lombard loans)	28,447	66,982
Other term loans	138,670	76,327
Less: Individual allowances for impairment losses (ECLs)	(75)	(17)
	447,249	**385,186**

An analysis of changes in the ECL allowances is as follows:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	(17)	-	-	(17)
New assets originated or purchased	(36)	-	-	(36)
Assets derecognised or paid	17	-	-	17
Impairment changes due to change in credit risk	-	(15)	(24)	(39)
As at 31 December 2019	**(36)**	**(15)**	**(24)**	**(75)**

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018 (first time adoption)	(2)	(2)	-	(4)
New assets originated or purchased	(17)	-	-	(17)
Assets derecognised or paid	2	2	-	4
As at 31 December 2018	**(17)**	-	-	**(17)**

Loans and advances to customers has been analysed according to the purpose of the loan. In 2019, all overdrafts, both approved and unapproved are shown together under on 'Demand and short notice facilities'. The remainder of credit facilities are then shown according to their purpose. Prior year comparative shave not been restated.

Loans and advances to customers are collateralised and the Company operates conservative levels of loan to value and this is a major contributory factor to the low level of expected credit losses.

The total amount of loans and advances to customers (before ECLs) classified as Stage 2 at 31 December 2019 is £8.5m (2018 - £12.7m). The total value of loans and advances to customers (before ECLs) transferred from stage 1 to stage 2 during the year was £8.5m (8 loans). Of the loans reported as Stage 2 at 31 December 2018, £5.6m have moved to Stage 3 at 31 December 2019 (3 loans), the remaining £7.1m have been repaid (4 loans).

The total amount of loans and advances to customers (before ECLs) classified as Stage 3 at 31 December 2019 is £6.0m (2018 – nil). The total value of loans and advances to customers (before ECLs) transferred from stage 1 to stage 3 during the year was £0.4m (9 loans). The remainder of Stage 3 loans have transferred from Stage 2 (3 loans).

In respect of the Company's largest loans, of the total assets advanced to customers, an amount of £22m (2018 £38m) is subject to full sub participation arrangements with its parent company, Quintet. The Company bears no risk on this part of the loans as Quintet have placed equivalent deposits and bear the risk of the loans under legally enforceable participation arrangements. The loans and advances to customers above are shown net of these participation loans in order to reflect their economic reality (i.e. at 31 December 2019, total advanced £469m, participation £22m, net per Balance Sheet £447m).

16 Derivative financial instruments – Held for trading

The Company uses derivative instruments only in limited circumstances and for economic hedging purposes only; therefore it has not adopted hedge accounting in accordance with IFRS 9.

Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.

Currency and interest rate swaps are commitments to exchange one set of cashflows for another. Swaps result in an economic exchange of currencies or interest rates (for example fixed to floating rate) or a combination of these (i.e. cross currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Company's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. The risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of risk taken, the Company assesses the counterparties using the same techniques as for its lending activities.

		Fair values	
	Nominal amount	Assets	Liabilities
	£000	£000	£000
As at 31 December 2019			
Forward foreign exchange & FX Swaps	37,605	341	469
Cross Currency Interest rate swaps	1,424	60	-
Interest rate swaps	31,559	74	175
Total OTC derivatives		**474**	**645**
As at 31 December 2018			
Forward foreign exchange & FX Swaps	110,862	263	373
Cross Currency Interest rate swaps	2,862	14	-
Interest rate swaps	5,925	3	-
Total OTC derivatives		**280**	**373**

17 Investments - Non-trading at fair value through profit or loss

	2019	restated 2018
Unquoted investments	**£000**	**£000**
Shares and preference shares	**1,261**	**917**
Funds	**4**	**4**
	1,265	**921**

In 2019 the Company reclassified its shares and preference shares from FVOCI to FVPL – see note 1u.

The Company has a holding of Visa Inc. Series B Preference shares which mandatorily convert into Visa Inc. Common A shares within 12 years from the acquisition date of June 2016. These shares are valued at the conversion rate and market price of the A shares, with a 50% discount applied (2018 50%) reflecting the illiquidity and other uncertainties around the shares.

As at 31 December 2019, had the discount rate increased by 25% (2018: 25%) with all other variables held constant, the effect would be a decrease in fair value of £628k (2018: £454k). Had the discount rate decreased by 25% (2018: 25%) with all other variables held constant, the effect would be an increase in fair value of £628k (2018: £454k).

18 Debt Securities at amortised cost

	2019	2018
Quoted investments	**£000**	**£000**
Debt Securities	132,295	104,077
Less: Individual allowances for impairment losses (ECLs)	(11)	(10)
	132,285	**104,067**

An analysis of changes in the ECL allowances is as follows:

	Stage 1	Stage 1
As at 1 January 2019	(10)	(9)
New assets originated or purchased	(2)	(3)
Assets derecognised or paid	2	3
Impairment changes due to change in credit risk	(1)	-
As at 31 December 2019	**(11)**	**(10)**

All debt securities have a credit rating of AA+ or above. None of these assets were pledged as collateral at the year end.

19 Other receivables

	2019	2018
Debtors and other assets are all due in under one year:	**£000**	**£000**
Due from Parent Company	325	815
Due from other Group Company	7,466	432
Market and client debtors	-	4,675
Trade debtors	310	435
Prepaid expenses and accrued income	1,886	10,765
Other debtors	2,460	4,315
Total other receivables	**12,447**	**21,437**

These other receivables are held at amortised cost and are subject to a simplified approach in respect of ECLs.

	2019	2018
Debtors and other assets are all due in under one year:	**£000**	**£000**

On 1 July 2019, the Company migrated onto a new Investment Management and Banking Platform. As a result of this change, all client and market trades are booked and settled on trade date, hence there are no debtors for unsettled trades with the Market or Client at the 31 December 2019. Investment Management fees charged to clients are also now charged to the Clients portfolio in the respective calendar quarter and not in the month following the quarter end, so accrued income for the quarterly fees to 31 December have decreased significantly.

The amount due from Other Group Companies includes £6.8m in respect of the reduced consideration under the terms of the Asset Purchase agreement for the UK Branch of IdB referenced earlier in the accounts. This amount was received in full in January 2020.

20 Property and equipment

2019	Leasehold improvements	Computer hardware	Other furniture and equipment	Right of use (leased)	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2019	2,579	886	761	-	4,226
Additions	35	239	11	-	285
Application of IFRS 16	-	-	-	11,041	11,041
Disposals and write-downs	(679)	(247)	(138)		(1,064)
At 31 December 2019	1,935	878	634	11,041	14,488
Accumulated depreciation and impairment					
At 1 January 2019	1,325	644	379	-	2,348
Charge for the year	261	159	90	1,868	2,378
Disposals and write-downs	(385)	(235)	(75)	(-)	(695)
At 31 December 2019	1,201	568	394	1,868	4,031
Net book value at 31 December 2019	**734**	**310**	**239**	**9,174**	**10,457**
Net book value at 31 December 2018	**1,254**	**242**	**382**	**-**	**1,878**

No assets above are classified as held for sale at the beginning or end of the period.

The Company adopted IFRS 16 on 1 January 2019 and has recognised its property leases on Balance sheet as a Right of Use asset.

21 Goodwill and other intangible assets

	Goodwill	Customer relationships	Computer software	Total
	£000	£000	£000	£000
Cost				
At 1 January 2019	3,704	32,553	593	36,850
Additions	-	-	3,637	3,637
Disposals	-	-	(132)	(132)
Adjustment to purchase consideration	-	(6,787)	-	(6,787)
At 31 December 2019	3,704	25,766	4,098	33,568
Amortisation and impairment				
At 1 January 2019	2,877	7,702	474	11,053
Charge for the year	-	1,662	237	1,899

	Goodwill	Customer relationships	Computer software	Total
	£000	£000	£000	£000
Disposals	-	-	(130)	(130)
Impairment	90	-	-	90
Adjustment to purchase consideration	-	(728)	-	(728)
At 31 December 2019	2,967	8,636	581	12,184
Net book value at 31 December 2019	**737**	**17,130**	**3,517**	**21,384**
Net book value at 31 December 2018	**827**	**24,851**	**119**	**25,797**

Goodwill

All Goodwill originates in the UK and relates to investment management businesses acquired in 2002 and 2003. The Goodwill is held at cost less any impairment and historical amortisation charged and is tested for impairment on an annual basis. The impairment review was carried out at 31 December 2019 and an impairment of £90k was made as a result (2018 - £127k). The impairment reflects a fall in value of the underlying AUM acquired. In identifying the recoverable amount or value in use, a discounted cash flow valuation was undertaken by the Company using the following key assumptions:

- net cash flows have been projected over a 5 year period based on past experience.
- a discount rate of 7.8% (2018: 8.0%) has been applied to the net cash flows. The discount rate used is determined by Quintet, which is based on the Capital Asset rate of Return Method specific to the UK.
- income has been calculated at the current run rate for the two businesses acquired.
- It is assumed that revenue will fall by 2% per annum (2018 - 2%)
- Sensitivity analysis is performed on the growth rate and discount rates used in the reviews. The impairment is most sensitive to a fall in AUM and hence income. For example, if the Company were to assume that AUM fell by 10% p.a. the impairment would be an additional £68k. By contrast, if the discount rate was 12% rather than 7.8%, the goodwill would only need to be impaired by a further £40k.

Intangible assets – Customer relationships

Full impairment reviews were carried out at 31 December 2019 and no impairment was considered necessary. In identifying the recoverable amount or value in use, a discounted cash flow valuation was undertaken by the Company.

The original purchase consideration paid for the UK branch of IdB in December 2017 was reduced by £6.8m in December 2019, due to the terms of the Asset Purchase agreement. This amount is booked as a receivable from a Group Company at 31 December 2019 (Note 19). The amortisation previously expensed to the Income Statement on the portion of this cost has been credited back to the Income Statement, within Other Income (Note 8) for amortisation to the end of 2018 and to Administrative expenses (Note 10) for the current year amortisation previously charged.

22 Deferred Tax

Current Taxation

There are no current tax assets at 31 December 2019 or 31 December 2018.

Deferred Tax

	2019	2018
	£000	£000
Tax Asset on Unused Trading losses	459	-
Tax assets on Defined Benefit Pension Scheme	995	833
Tax asset on other temporary differences	512	476
	1,966	**1,309**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

UK corporation tax rates are 19% (2018 - 19%). Deferred tax is calculated at the rate of 17% (2018 – 17%), On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. The deferred tax balances included within the accounts have been calculated with reference to the rate of 17%, as required under International Financial Reporting Standards. However, following the substantive enactment of the rate of 19%, it is anticipated that the reversal of temporary differences will occur at this rate and that the maximum impact on the quantum of the net deferred tax asset recognised will be £231k.

The Company has £11.6m (2018 - £7.7m) of temporary differences, which will reverse as allowable expenses for tax purposes in future periods. A deferred tax asset of £2.0m (2018 - £1.3m) has been recognised in respect of these temporary differences forecast to be used during the foreseeable future.

There is a £5.9m deficit in respect of the Defined Benefit Pension Scheme, for which a deferred tax asset of £1.0m has been recognised (note 27b. v).

On 1 December 2017 the Company acquired the UK branch of IDB, and at the same time it also acquired the accumulated tax losses of the business. A deferred tax asset has been recognised in full for the first time in respect of these tax losses as at 31 December 2019. Tax losses of £3.8m were formally transferred to Brown Shipley on 1 January 2018 as part of the filing of the 2018 Tax Computation in December 2019.

Losses of £0.5m were offset in 2018 and further losses of £0.6m were offset in 2019 year against profits of the same trade resulting in remaining gross losses of £2.7m as at 31 December 2019.

23 Shares in Subsidiary undertakings

	2019	2018
	£000	£000
At 1 January	101	101
Strike off - Slark Trustee Co. Ltd and The R A Roberts Partnership Ltd	(100)	-
Acquisition of NW Brown & Co. Limited	38,293	-
At 31 December	**38,294**	**101**

On 1 October 2019, Brown Shipley acquired NW Brown & Co. Ltd (NWB), a Wealth planning firm based in Cambridge and Norwich. This subsidiary will continue to trade as NWB until 31 March 2020, after that date its clients and staff will transfer to Brown Shipley. The value shown here includes the initial consideration paid as well as an estimate in respect of deferred consideration due in October 2021.

As at the date of the accounts the company has the following wholly owned subsidiaries, all incorporated in the United Kingdom. The registered address of all subsidiaries is 2 Moorgate, London, EC2R 6AG (The registered address of Brown Shipley and all subsidiaries changed from Founders Court, Lothbury, London, EC2R 7HE on 16 January 2020).

Name and address of Subsidiary	Nature of Activities	Status
N W Brown & Co. Limited	Wealth Management	Trading
Fairmount Trustee Services Limited	Pension Trustee	Dormant
White Rose Nominees Limited	Nominee	Dormant
Fairmount Pension Trustees Limited	Pension Trustee	Dormant
N W Brown Nominees Limited	Nominee	Dormant
N W Brown ISA Nominees Limited	Nominee	Dormant

The Company has not prepared consolidated financial statements as it has taken advantage of the exemptions under IFRS 10.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

24 Deposits from Banks

	2019 £000	2018 £000
Current accounts	15,514	4,161
Current accounts with parent company	9,255	3,123
Deposits with parent company	39,393	-
	64,162	**7,284**

25 Deposits from Customers

	2019	2018
Current accounts	**£000**	**£000**
Investment Management customers	334,315	434,347
Private customers	132,919	323,061
Term Deposits		
Corporate customers	78,526	30,805
Private customers	138,460	117,492
	684,220	**905,705**

26 Other liabilities

	2019 £000	2018 £000
Due within one year:		
Amounts due to parent company	900	1,371
Market and client creditors	-	4,290
Taxation	2,762	343
Deferred income and accrued expenses	14,335	14,852
Lease Liability IFRS 16	1,525	-
Deferred consideration - FVPL	2,660	-
Trade creditors	60	19
Other liabilities	758	1,301
	23,000	**22,176**
Due after one year:		
Deferred consideration - FVPL	8,886	2,660
Lease Liability IFRS 16	7,262	-
	16,148	**2,660**
Total other liabilities	**39,148**	**24,836**

The deferred consideration due under one year is in respect of The RA Roberts Partnership Ltd acquisition in 2016. This final payment is due in 2020 and is not a fixed amount but is based on certain performance criteria. The Company assessed the carrying value of this Earn out payment in December 2019 and concluded that no adjustment was considered necessary.

The deferred consideration due after one year is in respect of the NW Brown Ltd acquisition on 1 October 2019. The final payment is due two years after the acquisition date and is based on performance criteria as set out in the Sale and Purchase agreement.

The Company adopted IFRS 16 on 1 January 2019 for the first time and has recognised a liability for the Company's property leases.

Reconciliation of movement on lease liability	2019
	£000
Liability on initial recognition at 1 January 2019	10,890
Interest charge (Note 3)	245
Contractual payments	(2,348)
Liability at 31 December 2019	**8,787**

27 Pensions

a. Defined contribution schemes

The Company operates a defined contribution pension scheme for employees. The total pension cost of this defined contribution scheme representing contributions paid by the Company for the year was £2,183,854 (2018: £1,849,842). In addition, employer contributions to certain senior employees' Self Invested Personal Pension Schemes (SIPPs) amounted to £274,021 (2018: £361,761). These assets are maintained in separately administered funds. The costs of these pension schemes are charged to the income statement as they accrue and investment risk remains with the employees concerned.

b. Defined benefit scheme

The Company also operates the Fairmount Group Staff Pension Scheme ("FGSPS") which is a defined benefit scheme. The scheme was closed to the future accrual of benefits on 31 March 2005. Assets of the scheme are held separately from those of the Company. The scheme is valued triennially by a qualified and independent actuary.

The last triennial actuarial valuation was carried out on 1 April 2018 and was updated to 31 December 2019 for the purposes of the financial statements. The present value of the defined benefit obligation and the related current service cost were calculated using the projected unit credit method.
The deficit recognised in the statement of financial position reflects the impact of the equalization of Guaranteed Minimum Pensions and is determined as follows:

	2019	2018
Fair value of scheme assets	**£000**	**£000**
Bonds/Absolute Return	9,562	8,533
Equities	3,174	3,112
Cash	528	557
Total assets	13,264	12,202
Present value of scheme liabilities	19,115	17,104
Deficit in the scheme	**(5,851)**	**(4,902)**

All assets in the pension scheme are considered as Level 1 for fair value assessment (i.e. they all have quoted prices in an active market).

i. Actuarial assumptions used

	2019	2018
Rate of increase in pensions in payment	5.00%	5.00%
Rate used to discount scheme liabilities	2.05%	2.80%
Inflation	3.00%	2.20%
Average expected future life (years) at retirement age for:		
Male currently aged 62	25.0	24.9
Female currently aged 62	27.1	27.0
Male currently aged 42	26.5	26.4
Female currently aged 42	28.7	28.6

The discount rate has been derived from the yield on AA rated corporate bonds of appropriate term. The CPI assumption is based upon the yields on fixed and index linked gilt indices, adjusted downwards by 1.0% (2018: 1.0%) to account for CPI expectation being lower than RPI.

The above actuarial assumptions were subject to the following sensitivity analysis performed by the Actuary.

Defined Benefit Obligation sensitivity to changes in	2019	2018
Discount rate	**£000**	**£000**
Scenario Discount rate -1%	3,495	2,961
Scenario Discount rate +1%	(2,732)	(2,356)

The weighted average duration of the defined benefit obligation is 17 years.

ii. Movement in deficit during the year

	2019	2018
Assets	**£000**	**£000**
Opening value as at 1 January	12,202	14,213
Interest on scheme assets	362	339
Excess/(deficit) of return on scheme assets over interest on scheme assets	938	(1,058)
Employer pension contributions	274	274
Benefits paid	(512)	(1,566)
Assets of the scheme as at 31 December	**13,264**	**12,202**

	2019	2018
Defined Benefit Obligation	**£000**	**£000**
Opening value as at 1 January	17,104	20,336
Interest on scheme liabilities	505	586
Actuarial losses/(gains) from change in assumptions	2,037	(1,702)
Actuarial gains from experience adjustments	(19)	(550)
Benefits paid	(512)	(1,566)
Defined Benefit Obligation of the scheme as at 31 December	**19,115**	**17,104**
Deficit in the scheme	**(5,851)**	**(4,902)**

iii. The amounts recognised in the income statement were as follows:

	2019	2018
	£000	**£000**
Interest on scheme assets	(362)	(339)
Interest on scheme liabilities	505	586
Total included in staff costs	**143**	**247**

iv. The amounts recognised in the statement of comprehensive income were as follows:

	2019	2018
	£000	**£000**
Excess/(deficit) of return on scheme assets over interest on scheme assets	938	(1,058)
Actuarial (losses)/gains from changes in assumptions	(2,018)	2,252
Net actuarial (loss)/gain	**(1,080)**	**1,194**

The actual gain on scheme assets in 2019 was £1,300k (2018: loss of £719k). The actuarial gains and losses that make up the statement of total comprehensive income are the difference between the expected and actual return on scheme assets, expense gains and losses arising on scheme liabilities and the effect of changes in assumptions used to value the scheme liabilities.

v. There is a deferred tax asset in relation to the scheme deficit at 31 December 2019 of £995k (2018: £833k). The estimated value of the tax asset is measured at the enacted future tax rate of 17% (2018: 17%). The deferred tax credit has been recognized in the statement of total comprehensive income.

Funding requirement
The funding requirements of the FGSPS are based on the triennial actuarial valuation ("AVR") at 1 April 2018. At this date the scheme had assets of £13.5m and liabilities of £15.2m, therefore the scheme had a deficit of £1.7m. This compares to the previous AVR which showed a deficit of £2.2m. As a result of the 2015 valuation the Company committed to contribute £0.274m p.a. into the scheme for the next 10 years, commencing April 2016. Following the 2018 valuation the Company committed to continue with this contribution schedule.

Governance
The Trustee of the scheme is Fairmount Pension Trustees Limited, a fully owned subsidiary of the Company. Two of the Trustee's directors are member nominated and the other is employer nominated.

Pension Obligation Risk
This risk arises as a result of the Company's commitment to fund the pension scheme. The principal risk to the Company is that an increase in the scheme's funding requirement could be a drain on its capital position. Additional capital is therefore set aside under the Pillar 2 assessment as a part of the annual ICAAP process.

28 Provisions

At 31 December 2019	ECLs on off-Balance Sheet Commitments	Other	Total
	£000	£000	£000
Opening balance at 1 January 2019	5	90	95
Movements with impact on results			
- Additional provisions	47	56	103
- Release of provisions	-	(35)	(35)
Movements with no impact on results			
- Utilisation of provisions	(6)	(10)	(10)
Closing balance at 31 December 2019	**46**	**101**	**147**

Other provisions
Provisions represent amounts set aside for compensation to clients and for specific fee debts.

29 Called up share capital

	Issued, allotted and fully paid £000
At 31 December 2019	
81,824,000 Ordinary shares of £1 each	**81,824**
At 31 December 2018	
60,824,000 Ordinary shares of £1 each	60,824

The Company has one class of ordinary share which carries no right to fixed income. During the year, an additional £21m of ordinary share capital was issued to the parent company to partially fund the acquisition of N W Brown & Co. Limited.

30 Additional Tier 1 ("AT1") Equity Instrument

	2019 £000	2018 £000
Total AT1 Equity at 31 December	10,000	-

During the year, the Company issued £10m of variable rate AT1 perpetual subordinated contingent convertible securities to fund the acquisition of N W Brown & Co. Limited. The securities have a defined rate of interest payable on 30 April annually, but the payment is at the discretion of the Company and is not cumulative.

In light of the current economic environment and uncertainty, the Board has exercised its discretion and will not make a payment at this time.

31 Reserves and retained earnings

	2019 £000	restated 2018 £000
Retained earnings	33,608	32,014
Revaluation reserve – Equities FVOCI	-	-
Total reserves at 31 December	**33,608**	**32,014**

Full movements in retained earnings and reserves are shown in the statement of changes in equity.

32 Parent company

Brown Shipley & Co. Limited is a wholly owned subsidiary of Quintet Private Bank Europe SA, a company incorporated in Luxembourg and the parent of the smallest company into which the results of the Company are consolidated. Quintet were formerly known as KBL Private Bankers S.A prior to rebranding to Quintet at the start of 2020.

Precision Capital, SA, a Luxembourg based company governed by Luxembourg law owns 99.9% of the shares and voting rights of Quintet Private Bankers, SA. The registered office of Precision Capital SA is located at 15 Boulevard Roosevelt, L-2450 Luxembourg.

Pioneer Holding SA owns 100% of the shares and voting rights of Precision Capital SA and is the ultimate holding company. The registered office of Pioneer Holding SA is also located at 15 Boulevard Roosevelt, L-2450 Luxembourg.

Consolidation is carried out at the Quintet level and the Quintet Company financial statements are available from www.quintet.com.

33 Contingent liabilities and commitments

The contractual amounts of off balance sheet financial instruments that commit the Company to extend credit to customers are as follows:

	2019 £000	2018 £000
Other guarantees	392	458
Charge card commitments	5,105	5,017
Loan Commitments:		
Original term to maturity of one year or less	20,540	36,319
Original term to maturity of more than one year	57,540	54,070
	83,467	**95,864**

Contingent Liabilities

As in most years, in the ordinary course of business, the Company has a number of unsettled claims from customers and it is possible these could result in financial redress. The Company does not believe these claims will be material in relation to the financial statements.

In late 2019 the Financial Conduct Authority wrote to regulated firms who had given advice on transfers from defined benefit pension schemes in recent years and asked them to review the advice that was given. As a result the Company has initiated a review using external consultants and are reviewing such advice on a case by case basis. It is unclear as yet but is possible that as a result of this review remedial action and/or redress may be required but at the date of this report any potential liability cannot be realistically quantified.

34 Related party transactions

All related party transactions disclosed below for key management personnel; parent company and subsidiaries were on an arm's length basis on normal commercial terms.

Key Management Personnel

All directors are considered to be key management personnel of the Company.

Compensation to the board of directors:

	2019 £000	2018 £000
Short-term employee benefits		
- Wages and salaries (including bonuses)	1,556	2,266
- Other emoluments (including non-executive directors fees)	292	250
	1,848	2,516
Compensation to the highest paid director	1,218	1,655
Number of directors (including non-executive directors) as at 31 December	7	6

The amounts above include the costs of all directors who served during the year.

Particulars of transactions entered into by the Company and its subsidiaries with directors and connected persons, and non-executive directors are disclosed below, for the relevant financial year.

	Maximum balance during the year 2019 £000	Balance as at 31 December 2019 £000	Income 2019 £000	Maximum balance during the year 2018 £000	Balance as at 31 December 2018 £000	Income 2018 £000
Loans receivable	1,604	-	20	288	-	1
Deposits payable	4,058	4,048	(18)	5,612	4,153	(2)
Investment portfolios	3,483	3,483	11	12,300	8,667	18

Parent Company

Particulars of transactions entered into by the Company with the immediate parent company, Quintet Private Bankers SA, are disclosed below. The outstanding balances at 31 December for assets and liabilities have also been disclosed separately within each note to the financial statements, but are provided here as a summary, together with the impact of the transaction on the income statement and the nominal amounts for off balance sheet transactions.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

	Maximum balance during the year 2019	Balance as at 31 December 2019	Income 2019	Maximum balance during the year 2018	Balance as at 31 December 2018	Income 2018
	£000	£000	£000	£000	£000	£000
Assets						
Due from Banks	33,442	22,004	188	28,140	14,725	225
Derivative financial instruments	1,552	474	775	1,331	280	512
Other receivables	815	325	-	1,312	815	-
Liabilities						
Due to Banks – current accounts	15,982	9,255	(57)	7,198	3,123	(56)
Due to Banks – deposits	7,723	3,393	(2)	20,460	1,796	(6)
Due to Banks - Loan funding	36,000	36,000	(29)	90,000	-	(368)
Accrued fee on Loan funding (Other liabilities)	33	-	(194)	16	16	(129)
Quintet Risk participation agreements	26,662	21,889	(345)	73,414	38,136	(725)
Derivative financial instruments	1,171	645	-	516	373	-
Other liabilities	1,684	900	-	1,371	1,371	-
Off Balance Sheet	31,559	31,559		5,925	5,925	
Interest Rate Swaps						
Forward foreign exchange operations	141,831	86,346	-	113,724	113,724	-
Loan funding facility - unutilised	100,000	64,000	-	100,000	100,000	-
Income Statement						
Net fee and commission income	-	-	(732)	-	-	(1,547)
Net gains from financial instruments at fair value	-	-	231	-	-	213
Operating expenses	-	-	(3,306)	-	-	(2,585)

Other Group Companies

Particulars of transactions entered into by the Company with another Group Company, Insinger Gilissen SA (a Dutch subsidiary of Quintet Private Bankers SA), are disclosed below. The outstanding balances at 31 December have been disclosed separately within each note to the financial statements, but are provided here as a summary, together with the impact of the transaction on the income statement.

	Maximum balance during the year 2019	Balance as at 31 December 2019	Income 2019	Maximum balance during the year 2018	Balance as at 31 December 2018	Income 2018
	£000	£000	£000	£000	£000	£000
Assets						
Due from Banks	798	96		682	144	
Other receivables	7,466	7,466	-	508	432	-
Income Statement						
Net interest on Lending			535			498
Net fee and commission income	-	-	(906)	-	-	(1,036)
Net gains from financial instruments at fair value	-	-	159	-	-	168

35 Fair value of financial instruments

Determination of fair value and fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (market) prices in active markets for an identical instrument.
A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, pricing service or regulatory industry, and those prices present actual and regularly occurring market transactions on an arms' length basis.

Level 2: other techniques for which all significant inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly observable from market data; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 December 2019	Level 1	Level 2	Level 3	Total
Financial Assets	**£000**	**£000**	**£000**	**£000**
Investments – FVPL – Visa Inc. preference shares	-	-	1,256	1,256
Investments – FVPL - SWIFT	-	6	-	6
Funds – non-trading FVPL	-	4	-	4
Derivative Financial Instruments – held for trading	-	474	-	474
	-	**482**	**1,256**	**1,738**
Financial Liabilities				
Derivative Financial Instruments – held for trading	-	645	-	645
Deferred Consideration (Note 26)	-	-	11,546	11,546
	-	**645**	**11,546**	**12,191**

As at 31 December 2018	Level 1	Level 2	Level 3	Total
Financial Assets	**£000**	**£000**	**£000**	**£000**
Investments – FVPL – Visa Inc. preference shares	-	-	907	907
Investments – FVPL - SWIFT	-	10	-	10
Funds – non-trading FVPL	-	4	-	4
Derivative Financial Instruments – held for trading	-	280	-	280
	-	**294**	**907**	**1,201**
Financial Liabilities				
Derivative Financial Instruments – held for trading	-	373	-	373
Deferred Consideration	-	-	2,660	2,660
	-	**373**	**2,660**	**3,033**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets and liabilities which are recorded at fair value:

As at 31 December 2019	1 January 2019 Fair value £000	Paid in year £000	FV movement (Income statement) £000	Arising on acquisition (Balance Sheet) £000	31 December 2019 Fair Value £000
Financial Assets: Investments - FVPL	907	-	349	-	1,256
Financial Liability: Deferred consideration	2,660	-	-	8,886	11,546
As at 31 December 2018					
Financial Assets: Investments – FVPL (restated)	746	-	161	-	907
Financial Liability: Deferred consideration	6,910	(4,250)	-	-	2,660

There were no transfers between levels during the year.

Set out below is a comparison by class of the carrying amount and fair values of the Company's financial instruments that are carried in the financial statements. The table does not include fair values of non-financial assets and non-financial liabilities.

	2019 Carrying £000	2019 Fair Value £000	2018 Carrying £000	2018 Fair Value £000
Financial assets				
Held for trading – derivatives	474	474	280	280
Investments - FVPL (2018 restated)	1,265	1,265	921	921
Debt instrument at Amortised cost	132,285	131,151	104,067	102,818
Loans and advances to banks	75,983	75,983	184,504	184,504
Loans and advances to customers	447,249	447,249	385,186	385,186
Other receivables	12,447	12,447	21,437	21,437
	669,703	668,569	696,395	695,146
Financial Liabilities				
Held for trading – derivatives	645	645	373	373
Deposits from banks	64,162	64,162	7,284	7,284
Deposits from customers	684,220	684,220	905,705	905,705
Deferred Consideration (Note 26)	11,546	11,546	2,660	2,660
	760,573	760,573	916,022	916,022

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

The term "financial instruments" includes financial assets, financial liabilities and derivatives. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values are not necessarily the amounts that would be realised in an immediate sale. Information is not provided for short-term debtors and creditors and for tangible and intangible assets in both years as these items do not meet the definition. Fair values exclude accrued interest receivable and payable. There were no material trading book positions at 31 December 2019.

The assumptions used to estimate the fair values of debt and other financial instruments are summarised below for the amounts shown in the above table:

(i) Loans and advances (to banks and customers) and deposits from banks and customers are recognised in the financial statements at amortised cost which is deemed to be the equivalent of fair value. The amounts advanced to banks approximate market value on account of their short maturities.

(ii) Bonds and Gilts are shown at amortised cost on the Balance sheet. In the table above the fair value of these bonds is shown and is considered level 1 as they are all quoted prices in an active market.

(iii) Shares and preference shares are designated as FVPL and are valued at fair value if quoted on an active market, otherwise they are valued using other valuation techniques (discounted dividend model or P/E ratio).

(iv) Interest rate swaps (Held for trading derivative financial instruments) have been valued at the net present value of estimated future cash flows based on market rates.

(v) Exchange rate contracts (Held for trading derivative financial instruments) have been valued at bid market rates.

(vi) Deferred consideration (Contingent consideration) is initially recognised at fair value as of the acquisition date and then re-assessed annually based on the earn-out criteria with any subsequent changes accounted for via the Income Statement.

The deferred consideration due within one year at the Balance Sheet date is £2.7m. In order to assess the fair value at 31 December 2019, the Company considered the expected FUM at the end of the earn-out period to be £229m (2018: £237m) and the expected increase in revenue to be 30bps (2018: 30bps). As at 31 December 2019, had the revenue bps and AUM increased by 25% (2018: 25%) with all other variables held constant, the combined effect would be an increase in fair value of the deferred considerations of £1.4m (2018: £1.5m). Had the revenue bps and AUM decreased by 25% (2018: 25%) with all other variables held constant, the combined effect would be a decrease in fair value of the deferred considerations of £1.5m (2018: £1.1m).

The deferred consideration due after one year at the Balance sheet date of £8.9m arises as a result of the acquisition on 1 October 2019 of NW Brown & Co. Ltd. In order to assess the fair value at 31 December 2019, the Company considered the expected completion AUM at the end of the two year anniversary to be £1.024m Under the terms of the sale and purchase agreement the deferred consideration estimated can increase by a maximum of £1m although that is thought to be unlikely. However, a fall in completion AUM of 25% would result in deferred consideration falling by £2.2m.

For short term debtors and creditors the book value approximates to fair value because of their short term maturities.

36 Capital

The Company maintains an actively managed capital base to cover risks inherent in the business.

In accordance with the Regulators Capital Adequacy Standards, the Company produces a Board approved Internal Capital Adequacy Assessment Process ("ICAAP") document on at least an annual basis. The ICAAP details management's assessment of the Company's key risks, how they are mitigated and how much capital is required to cover these risks in excess of the Pillar 1 capital requirements. The most recent ICAAP was approved by the Board on 22 April 2020.

During the year the Company has complied in full with its regulatory capital requirements and has maintained a healthy surplus above those requirements.

Capital management

The primary objective of the Company's capital management is that the Company maintains healthy capital ratios in order to support its business and to maximise shareholder value and to ensure that the Company complies with externally imposed capital requirements.

The Company is also required to hold capital to cover Pillar 2 requirements, including company-specific capital requirements that are agreed with the PRA. The Total Capital Requirement disclosed in the table below represents the Company's Pillar 1 and Pillar 2A requirement.

The Company has adopted the 'standardised' approach to calculating the capital required under Pillar 1 in respect of credit and operational risk. The Company utilises the financial comprehensive method of credit risk mitigation.

Unaudited Regulatory capital at 31 December

	2019 £000	2018 £000
Core Tier One Capital		
Permanent Share Capital	81,824	60,824
Additional Tier 1 Capital	10,000	-
Reserves- Retained Earnings	35,411	31,023
Reserves – Other Comprehensive income	(4,310)	(3,416)
Less: Goodwill and other intangible assets	(21,384)	(25,797)
Less: Deferred Tax	(1,459)	(825)
Less: IFRS 16 / 9 transitional impact	189	95
Total Tier One Capital	100,271	61,904
Less: Investment in subsidiaries	(29,817)	(1)
Total Capital After Deductions	**70,453**	**61,903**
Risk Weighted Assets	**372,029**	**395,996**
Pillar 1 Risks		
Credit Risk	21,772	23,838
Operational Risk	7,990	7,841
Pillar 1 Capital Resources Requirement	**29,762**	**31,679**
Total Capital Requirement (Pillar 1 and 2A)	**41,245**	**41,897**
Common Equity Tier 1 ratio	**16.2%**	**15.6%**

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

37 Financial Risk Management

Risk Measurement and reporting systems
Monitoring and controlling risks is performed based on limits and procedures established by the Company. These reflect the business strategy and market environment as well as the Company's risk appetite.

The evaluation of the Company's risks is monitored via regular risk reporting, which is compiled and presented by Risk Management to the Board, risk committees and senior management using a KRI Dashboard; each KRI has a predefined limit and trigger. Any KRIs that breaches a limit or trigger is communicated to senior management, together with an action plan covering resolution and mitigation, if applicable.

The Company monitors its key market, credit and liquidity risks on an ongoing basis. Any significant issues &/or relevant breach to the pre-defined limits are escalated to senior management.

Risk Mitigation
As part of its overall risk management, the Company may use derivatives to assist in hedging its market risk. This consists of using interest rate swaps to modify the interest risk profile in the non-trading book.
These transactions can only be placed with pre-agreed counterparties and within defined limits.

Interest rate risk exposures are independently monitored, in line with pre-agreed limits by Risk Management.

The Company actively uses collateral to reduce its credit risks (see below).

Credit Risk
Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties fail to fulfill their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Company is exposed to credit risk through its lending to customers of £447m at 31 December 2019 (2018 - £385m), through its treasury activity (i.e. investing own funds and surplus customer deposits) and on other receivables. The Company generally invests in the Bank of England Reserve account, short term deposits, and/or certificates of deposit issued by well rated financial institutions. The total amount outstanding as at 31 December 2019 was £254m (2018: £496m) and the decrease reflects a reduction in customer deposits. The Company also has a portfolio of high quality securities of £132m as at 31 December 2019 (2018: £104m).

The Company has an established credit review process and defined lending criteria, outlined in the Board approved Lending Policy, which is reviewed at least annually. Lending is primarily to private individuals and on a secured basis. All credit proposals are discussed and limits agreed by the Credit Committee. All credit limits are also reviewed annually.

The Company's systematic controls are designed to ensure that any transaction that exceeds a predefined limit needs to be pre-authorised, in accordance with the Company's delegated authorities, before funds are released. Furthermore, the Company also performs retrospective monitoring in respect of credit exceptions and collateral shortfalls.

Market counterparty lines are approved by the Company's ALCo and are also subject to approval by the parent, Quintet to ensure that Group limits are respected.

Maximum Exposure to Credit Risk and collateral
The table on the following page shows the maximum exposure to credit risk for the different components of the balance sheet. It further shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

As at 31 December 2019 £000	Maximum exposure to credit risk	Fair value of collateral						
		Cash	Securities	Property	Invest. Portfolio	Surplus collateral	Net collateral	Net exposure
Cash and balances at central banks	177,773							177,773
Financial assets								
- L&A to Banks	75,983							75,983
- L&A to Customers	447,249	4,486	28,532	639,012	662,404	(890,193)	444,241	3,008
- Investments - at FVPL	1,265							1,265
- Debt Instruments at Amortised cost	132,285							132,285
- Other receivables	12,447							12,447
Total	847,002	4,486	28,532	639,012	662,404	(890,193)	444,241	402,761
Charge card commitments	5,105							5,105
Commitments - credit	77,969	192	-	14,689	63,022	-	77,903	66
Total	83,074	192	-	14,689	63,022	-	77,903	5,171
Total credit risk exposure	**930,076**	**4,678**	**28,532**	**653,701**	**725,426**	**(836,193)**	**522,144**	**407,932**

As at 31 December 2018 £000	Maximum exposure to credit risk	Fair value of collateral						
		Cash	Securities	Property	Invest. Portfolio	Surplus collateral	Net collateral	Net exposure
Cash and balances at central banks	311,087							311,087
Financial assets								
- L&A to Banks	184,504							184,504
- L&A to Customers	385,186	12,884	4,409	592,478	531,290	(756,218)	384,843	343
- Investments - at FVPL	921							921
- Debt Instruments at Amortised cost	104,067							104,067
- Other receivables	21,437							21,437
Total	1,007,202	12,884	4,409	592,478	531,290	(756,218)	384,843	622,359
Charge card commitments	5,017							5,017
Commitments - credit	90,389	828	-	21,546	61,207	-	83,581	6,808
Total	95,406	828	-	21,546	61,207	-	83,581	11,825
Total credit risk exposure	**1,102,608**	**13,712**	**4,409**	**614,024**	**592,497**	**(756,218)**	**468,424**	**634,184**

Risk Concentrations of the maximum exposure to credit risk

Concentrations of risk are managed by counterparty and by geographical region. The maximum credit exposure to any client or counterparty as at 31 December 2019 was £178m to the Bank of England with funds held in the Reserves account (2018 - £311m).

Geographical breakdown	2019	2018
	£000	£000
European Union	823,287	993,507
Rest of the World	106,789	109,101
	930,076	**1,102,608**

A sectorial analysis of the Company's financial assets is as follows:

	2019	2018
	£000	£000
Central banks	177,773	311,087
Banks and other financial institutions	276,367	292,949
Private customers	387,832	374,140
Corporate customers	88,104	124,432
	930,076	**1,102,608**

Measurement of Expected Credit Losses ("ECLs")

The Company has adopted ECL modelling which has been developed by and is and maintained by its parent company, Quintet, and the process is summarised below. The Company provides input to the ECL model and receives the output from Quintet, which is used to compute ECL amounts.

For the most material exposures, being the investment portfolio and the customer loan portfolio, the ECL is calculated by breaking down the cash flow structure of the exposure and assuming a number of defaults along its lifeline.

ECLs are calculated based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR.

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument. Three quantities mainly drive this measure of loss:

(i) the instrument's probability of default,
(ii) the loss given default (LGD), and
(iii) the exposure at default (EaD).

IFRS 9 requires the estimate of ECLs to reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.

The Company incorporates three forward-looking macroeconomic scenarios in its ECL calculation process, namely a base scenario, an upside scenario and a downside scenario. Probability weights are attributed to each scenario by a committee of experts, under the review of senior management. This assessment is performed on a quarterly basis.

When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will be recovered and the value of collateral or the amount that might be received for selling the asset.

Provisions for ECLs for undrawn loan commitments are assessed as set out in Note 29. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities is explained below.

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events in a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast Exposures at Default ("EAD") and multiplied by the expected Loss-given-default rate ("LGD") and discounted by an approximation to the original EIR.

- Stage 2: When a loan has shown a **significant increase in credit risk** since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but probability of default ("PDs") and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

- Stage 3: For loans considered **credit-impaired** the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets. The default PD for Stage 3 assets is set at 100%, although specific impairments for these assets are subject to Group Credit Committee judgement, based upon 'dedicated in-depth' analysis.

- Loan commitments and letters of credit: When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.

Significant Increase in Credit Risk (Stage 2)

For the IFRS9 assessment, the following approach is taken to move assets into Stage 2:

- Market securities

After 10 days past due the expected payment (interest and/or capital), ALCo, based on market and other information available on the bond and the issuer, recommends the classification as defaulted (with 30 days past due as backstop).

- Interbank exposures

After 10 days past due the expected payment (interest and/or capital), ALCo, based on market and other information available on the bond and the issuer, recommends the classification as defaulted (with 30 days past due as backstop).

- Non Interbank exposures

For the remaining counterparties (the customer loan book), the assessment is based on the continuous monitoring by the Credit Risk function / Credit Committee and the concept of Watchlist reporting.

The Company uses a number of quantitative and qualitative measures to assess whether there has been a significant increase in credit risk including those below. This is an area that requires significant knowledge and judgement and each exposure is treated individually:

- Financial difficulty of the borrower;
- Forbearance;
- A breach of contract, such as a missed payment or past due event;
- Concessions granted to the borrower;
- A downgrading in credit rating
- A reduced value of collateral held.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Company does not operate a strict 30 day or 90 day rule preferring to assess each exposure according to its own individual circumstances. For example, where there is no evidence of an increase in credit risk, on an exposure that has gone past due and it is being renewed on the same terms but the formal documentation has not been finalised the loan will not be moved to Stage 2.

Evidence of credit impairment (Stage 3)

The Company uses a number of indicators to consider whether an asset should move from Stage 2 into Stage 3:

- A material deterioration in the borrower's financial circumstances, including Indicators that the borrower is involved in financial restructuring or may become bankrupt;
- Significant reductions to the value of collateral held against the exposure;
- Inability of the borrower to meet a margin call;
- Significant changes in external market indicators.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Forward Looking information incorporated in the ECL models

Both the assessment of credit risk (for non-low risk exposures) and the estimation of the expected credit losses (ECL) rely on the term structure of the cumulative default probability that can be constructed from a migration matrix, computed on the basis of three scenarios representing favorable, baseline and unfavorable market conditions, i.e. forward-looking assumptions.

The relative weights given to these scenarios, by a dedicated committee of experts, is in turn used to compute the average migration matrix from which the expected term structure of cumulative probability of default is computed. On that basis, the credit risk will be assessed and the ECL calculated. The weights will be refreshed on a quarterly basis.

Liquidity risk and funding management

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due. These obligations include customers' deposits, both on demand and those with a contractual maturity date.

In accordance with the PRA's Liquidity Adequacy Standards, the Company produces an ILAAP, which is presented and reviewed by the Board on at least an annual basis.

The Company's strategy is to maintain a high-level of liquidity to ensure that it can meet its obligations as they fall due. Investments are funded by own funds and client deposits; the Company does not borrow from the wholesale money markets.

The Company monitors its ("LCR"), on a daily basis. It also manages its liquidity risk using a series of specific metrics (as adopted in the ILAAP). These metrics are approved by the Board and are reviewed as part of the ILAAP. Adherence to these limits is monitored by the Company and any material breaches are reported to senior management.

In addition to the daily cashflow monitoring the Company also undertakes periodic stress testing of its liquidity position. This includes taking reasonable steps to identify an appropriate range of realistic/adverse circumstances and events that might occur, and measuring the impact on the Company's cash flow. In the light of this analysis, the Company's contingency funding arrangements are regularly reviewed and tested to ensure that it could survive a temporary liquidity stress.

Reporting also includes forecasts for liquidity (i.e. a warning of potential breaches). If any metrics were breached then approved crisis management procedures would be invoked.

The most important liquidity metrics are shown below, along with their limits:

Liquidity Metrics	At 31 December 2019		At 31 December 2018	
	Limit/Trigger	Metric	Limit	Metric
Liquidity Coverage Ratio (LCR)	n/a	n/a	100%	258%
Overall Liquidity Adequacy Requirement (OLAR) – new Metric 2019	£239m	136% of the requirement	n/a	n/a
Customers loans (net of participation arrangements) as a % of Customer deposits	60%	60%	60%	42%

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 December. Derivatives held for trading are shown at fair value in a separate column.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Company expects that many customers will not request repayment on the earliest date it could be required to pay and the table does not reflect the expected cash flows indicated by its deposit retention history.

As at 31 December 2019 £000	On demand	Derivatives Without maturity	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial Assets							
Cash and balances at central banks	177,773	-	-	-	-	-	**177,773**
Held for trading – derivatives	-	-	-	341	133	-	**474**
Investments - FVPL	-	1,261	-	-	-	-	**1,261**
Funds -Non-trading at FVPL	4	-	-	-	-	-	**4**
Debt instrument at Amortised cost	-	-	9,880	25,018	87,818	9,569	**132,285**
L&A to Banks	12,194	-	53,752	10,037	-	-	**75,983**
L&A to Customers	107,766	-	50,897	51,316	211,400	25,870	**447,249**
Total	**297,736**	**1,261**	**114,529**	**86,712**	**299,351**	**35,439**	**835,028**
Financial Liabilities							
Derivatives – held for trading	-	-	469	23	153	-	**645**
Deposits from banks	24,769	-	39,393	-	-	-	**64,162**
Deposits from customers	467,233	-	183,620	33,366	-	-	**684,219**
Deferred consideration (Note 26)	-	-	-	2,660	8,886	-	**11,546**
Lease liability (Note 26)	-	-	514	1,209	5,697	2,114	**9,534**
Total	**492,002**	**-**	**223,996**	**37,258**	**14,736**	**2,114**	**770,106**
Net Financial assets / (liabilities)	**(194,266)**	**1,261**	**(109,467)**	**49,454**	**284,615**	**33,325**	**64,922**

As at 31 December 2018 £000	On demand	Derivatives / Without maturity	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial Assets							
Cash and balances at central banks	311,087	-	-	-	-	-	**311,087**
Held for trading – derivatives	2	-	233	28	17	-	**280**
Investments - FVOCI	-	907	-	-	10	-	**917**
Non-trading at FVPL	4	-	-	-	-	-	**4**
Debt instrument at Amortised cost	-	-	3,032	9,775	91,260	-	**104,067**
L&A to Banks	10,459	-	96,044	78,001	-	-	**184,504**
L&A to Customers	50,903	-	41,217	99,124	193,942	-	**385,186**
Total	**372,454**	**907**	**140,526**	**186,928**	**285,229**	**-**	**986,045**
Financial Liabilities							
Derivatives – held for trading	56	-	208	96	13	-	**373**
Deposits from banks	7,284	-	-	-	-	-	**7,284**
Deposits from customers	757,408	-	90,539	57,758	-	-	**905,705**
Deferred consideration (Note 26)	-	-	-	-	2,660	-	**2,660**
Total	**764,748**	**-**	**90,747**	**57,854**	**2,673**	**-**	**916,021**
Net Financial assets / (liabilities)	**(392,294)**	**907**	**49,779**	**129,074**	**282,556**	**-**	**70,023**

Market Risk

Market risk is the risk of adverse financial impact on the Company resulting from changes in the levels of interest rates and exchange rates as well as from changes in the prices of securities and other financial contracts held or entered into.

The Company does not take proprietary positions with the intent of trading.

Currency Exposure

The Company has no significant subsidiary operations with a functional currency other than sterling although a proportion of the Company's assets and liabilities are denominated in foreign currencies. Overnight currency positions are small. The risks arising from exposure to foreign currency movements are therefore limited. There were no significant net open positions in any currencies at 31 December 2019.

Currency derivatives other than forward foreign exchange contracts are not normally used to mitigate currency exposures.

Interest Rate Risk

The Company has a defined strategy for managing interest rate risk and respective mis-match limits have been established.

In order to manage positions effectively Risk Management produces a daily mismatch report for each currency. The net or unmatched positions are summarised with the results compared against predefined Gap limits. These limits are designed to restrict the duration of the Company's interest rate exposure, so that it is primarily conducted on a short-term basis (i.e. so that the opportunity for rate changes to occur will be limited), and mitigate the Company's exposure to 'basis risk' (i.e. instances where transactions have different reference

rates, such as base rate and LIBOR). These mis-match or Gap limits are approved by ALCo. Excesses to these limits are monitored by Risk Management, must be authorised appropriately, and are reported to senior management.

Consolidated Interest Mismatch

Definition	Limit	Position at 31 December 2019	Position at 31 December 2018
Cum. absolute mismatch > 1month	250,000	118,738	227,520
Cum. absolute mismatch > 3months	150,000	71,436	107,589
Cum. absolute mismatch > 6months	100,000	63,912	75,347
Cum. absolute mismatch > 12months	50,000	21,203	48,137

The Company also quantifies its exposure to interest rate risk using scenario analysis to simulate yield curve shifts. This process considers the impact of +/- interest rate changes on the Company's Net Interest Income (NII) and the change in net present value (NPV) of its expected cash flows (economic value of equity or EVE method). The Company considers a range of potential interest rate scenarios, such as:

1. A parallel shift in the yield curve (+/-)
2. A relative shift in the yield curve (+/-)
3. An increasing relative shift in the yield curve (+/-)

The following table demonstrates the sensitivity of equity to a reasonable possible change in interest rates. Any such change is in respect of the change in value of the Company's fixed rate debt instruments. The sensitivity is measured by maturity of the asset. Most of these assets are of a short term nature and therefore the change in value is small. The total sensitivity of equity is based on a 200bps parallel shift in the yield curve.

Currency and interest rate movement (+/-) as at 31 December 2019	Total £000	Less than 6 months £000	More than 6 months £000
£ Sterling – 200 basis points	1,012	200	812
All other currencies – 200 basis points	(176)	(319)	143
	836	**(119)**	**955**

Currency and interest rate movement (+/-) as at 31 December 2018	Total £000	Less than 6 months £000	More than 6 months £000
£ Sterling – 200 basis points	1,662	(190)	1,852
All other currencies – 200 basis points	472	229	243
	2,134	**39**	**2,095**

Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in equity indices and the value of individual stocks. The Company only has a very small portfolio of legacy equity investments and as such the effect on equity of such changes is immaterial.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

38 Country by Country Reporting

HMRC has transposed the requirements of CRD IV and issued the Capital Requirements Country-by-Country Reporting Regulations 2013, effective 1 January 2014. This legislation requires the Company as a credit institution regulated under CRD IV to publish certain information for the year ended 31 December 2019 and 2018.

As at 31 December	Country	Nature of Activities	Turnover	Profit before taxation	Tax Paid	Public subsidies received	Average Number of employees
			£000	£000	£000	£000	
2019	United Kingdom	Wealth Management Services	66,560	2,216	949	-	378
2018	United Kingdom	Wealth Management Services	64,090	5,885	1,822	-	361

39 Events after the statement of financial position date

The development of the COVID-19 virus into a pandemic over the course of the first quarter of 2020 has created an unprecedented environment both operationally and in financial markets. In this context, the Company has taken all necessary steps to ensure the health and safety of staff and clients, and the continued smooth running of the business. It is expected that the financial market environment will affect the Company's fee and net interest income through, respectively, reduced assets under management levels and reduced margins on client cash holdings given the reduced interest rates enacted as part of stimulus measures.

The most likely expected financial impact is in respect of the company's future asset based fee income as this is calculated based on a percentage of funds under management. This has fallen since the year end due to the impact of Covid-19 on equity markets in all major jurisdictions. It is not possible to quantify the overall impact of Covid-19 as financial markets continue to react to developments. Management have a number of mitigating actions that they are able to take to protect profitability and liquidity.

Measures to ensure operational continuity and the health and safety of staff and clients will add to operating expenses but this impact is expected to be more than offset by cost saving measures being implemented to compensate revenue shortfall. These include reductions in staff costs and general administration costs.

Finally, as of the date of this report, the Company does not expect a significant increase in credit losses.

Altogether, given that Brown Shipley and its parent company, Quintet enjoy strong solvency and liquidity levels well above regulatory requirements, therefore the Group's sustainability in the coming year and beyond is not expected to be affected.

With the exception of the above, there was no other significant event requiring an update to the notes or adjustments that would have a material impact on the financial statements as at 31 December 2019.

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