Registered number: 02010520

# TILNEY INVESTMENT MANAGEMENT

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2019

**TILNEY INVESTMENT MANAGEMENT**

**COMPANY INFORMATION**

| | |
|---|---|
| **Directors** | A Baddeley<br>J Fraser (appointed 30 January 2020)<br>W Samuel (appointed 30 January 2020)<br>C Woodhouse |
| **Company secretary** | R Hasan |
| **Registered number** | 02010520 |
| **Registered office** | 6 Chesterfield Gardens<br>London<br>W1J 5BQ |
| **Independent auditors** | KPMG LLP<br>15 Canada Square<br>London<br>E14 5GL |
| **Bankers** | HSBC Bank plc<br>60 Queen Victoria Street<br>London<br>EC4N 4TR |

TILNEY INVESTMENT MANAGEMENT

CONTENTS

# STRATEGIC REPORT
# FOR THE YEAR ENDED 31 DECEMBER 2019

## Introduction

*The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.*

## Business review

Tilney Investment Management (the "Company") is a wholly owned subsidiary of Tilney (Holdings) Limited, which is a subsidiary of Tilney Group Limited, the parent company for which consolidated accounts are prepared (the "Group").

The Company's principal activity is the provision of investment management solutions to private investors, institutions and charities with portfolios held in discretionary or advisory accounts, tax trusts structures, Investment Savings Accounts (ISAs) and Self-Invested Personal Pensions (SIPPs) through a regional network of offices throughout the UK.

The Company is a leading private client investment business that is focused on excellent client service and the highest levels of professionalism. It has continued to develop the business with this in mind.

## Financial key performance indicators

As the Company is managed as part of the Tilney Group, the majority of key performance indicators are not specific to the Company. The exception to this is for the Company to maintain sufficient regulatory capital resources to meet capital requirements with a satisfactory buffer being held. Performance against this key performance indicator is formally monitored on a monthly basis, with capital being maintained above minimum levels throughout the year. The key performance indicators applicable to the group are included in the consolidated financial statements for Tilney Group Limited.

**STRATEGIC REPORT (CONTINUED)**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**Principal risks and uncertainties**

Risk is inherent to the Company's activities and is managed through a process of identification, measurement and monitoring. The Company's operations expose it to certain financial risks. These include market risk, interest rate risk, credit risk and liquidity risk. There is also considerable focus in managing other business risks such as 'know your client' and suitability, and key outsource providers

Ultimately the Board is responsible for determining the level of risk acceptable to the Company and this is subject to regular review. The Board ensures effective implementation of policies and procedures which minimise the extent of financial risk facing the Company at any point in time. The Group has a Risk and Audit Committee and an Operational Risk Committee who regularly review risks and policies to mitigate these. The Company maintains a Risk Register which is the main tool for monitoring risks, assessing its impact and considering any mitigating actions. A risk is rated based on its probability as well as its potential impact.

*Market risk*
Most of the Company's revenues are linked to the values of clients' investments so market risk resulting in a decrease in investment values will cause a reduction in revenue. For discretionary investment management clients' investment decisions are made by experienced asset managers within an asset allocation framework that is controlled and monitored by a specialist research department. In addition, management and the board are provided with regular reporting of changes in asset values that are benchmarked against a range of indices and competitors. To mitigate this risk, our Finance team regularly analyses various different economic scenarios to model the impact of economic downturns on our financial position.

*Interest rate risk*
The Company is exposed to interest rate risk through interest-bearing assets. The interest-bearing assets include only cash balances which earn interest at prevailing bank rates.

*Credit risk*
Credit risk represents the loss which the Company would incur if a customer or counterparty failed to perform its contractual obligations. This risk is well diversified so the Company has no significant exposure to credit risk. At the balance sheet date there were no significant concentrations of credit risk external to the Company. The exposure to credit risk is monitored on an ongoing basis. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

*Liquidity risk*
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt finance. The Company's cash flow needs are assessed on an ongoing basis to ensure liabilities can be met as they fall due.

*KYC and suitability*
Suitability of investments for clients is considered an imperative throughout the Company's activities. The Company is also clear that sufficient "know your client" information is obtained on all clients (new and existing) to mitigate the risk of inappropriate selling practice, to ensure that clients are provided with products and services that are suitable for them, both at purchase and on an ongoing basis.

*Outsource arrangements*
The Company outsources certain operational activities to third party companies who are experts in their field, and provide such services to many of our competitors. We review the financial and operational stability of our third party outsourcing partners on a regular basis through the Operational Risk Committee, to ensure that service standards and financial stability requirements are met.

*Brexit*
The UK's decision to leave the European Union in 2016 resulted in a prolonged period of political and economic uncertainty. This heightened as the original formal departure date approached without clarity around the nature of the UK's future relationship with the EU. Whilst the UK has now left the EU the potential consequences of Brexit continues to represent a risk to our business, principally because this uncertainty, whilst all is unravelled, impacts investor sentiment. We have therefore been monitoring Brexit-related developments closely and regularly communicating our market views with our clients.

However, the direct operational impacts on our business from Brexit are minimal. The Company is a UK regulated business with an overwhelmingly UK client base. We have no offices, no staff and no material dependencies on suppliers or people based in other EU countries. Brexit will not therefore change the nature of the services we offer to the vast majority of our clients. Under all Brexit scenarios, clients will continue to need their long-term investments managed and our approach of investing on globally diversified, multi-asset basis will remain unchanged.

*COVID-19 Coronavirus*
The spread of the COVID-19 virus represents a significant near term risk to the global economy and is causing turbulence across global markets. For the Company, the principal risks are from the impact on revenues should market levels and client assets decline and remain subdued for a prolonged period, the effect on client sentiment and new business volumes and the potential operational disruption from reduced staffing levels should the virus spread widely in the UK. We have invested in technology that has both enabled most of our staff to work remotely from home and enabled us to maintain minimum levels of staff and operations across our UK office network. We have reduced staff travel and now facilitate both internal and external client meetings by telephone, video conferencing and Skype. All client assets are held with third-party custodians and so we have also sought and received confirmation of their ability to continue operating in all eventualities, including staff being required to work remotely from home.

**Directors' statement of compliance with duty to promote the success of the Company**

The directors have complied with s172(1) of the Companies Act 2006 by giving wide regard to long term strategy, business relationships and our impact on community and the environment. The directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole in the decisions taken during the year ended 31 December 2019.

We believe that effective corporate strategy is key to having a long-term beneficial impact on the Company and contributes to success in delivering a better quality service for our clients across the UK to 2022 and beyond. Our business model has received numerous awards and we will continue to operate our business within budgetary controls and in line with our regulatory requirements and targets.

We recognise the importance of our wider stakeholders in delivering our strategy and achieving sustainability within our business. Our commitment, is to provide highly personalised client advice and wealth management services and our model was informed by extensive engagement with clients, enabling us to gain an understanding of their views and priorities. We also aim to act responsibly and fairly in how we engage with our supply chain and co-operate with our regulators, all of whom are integral to the successful delivery of our model.

Our business model took into account the impact of the company's operations on the community and environment and our wider societal responsibilities in the UK. Several of the proposed measures in our plan will deliver environmental improvements.

Our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and in doing so, will contribute to the delivery of our model. The intention is to nurture our reputation, through both the construction and delivery of our model that reflects our responsible behaviour. We also intend to behave responsibly toward our members and treat them fairly and equally, so that they may benefit from the successful delivery of our model.

**Future developments**

The Company sees continued opportunities from the consolidation of assets of existing clients held with other advisers; continued momentum in the migration of advisory and execution-only clients into managed solutions; generation of new leads via digital marketing; introduction of Financial Planning to clients and referrals from existing clients.

**STRATEGIC REPORT (CONTINUED)**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

This report was approved by the Board and signed on its behalf.

**A Baddeley**
Director

Date: 16 April 2020

## DIRECTORS' REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

The principal activities of the Company are set out in the Strategic Report on page 1. The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report on pages 1 to 4. This includes a review of the development of the business of the Company during the year and of likely future developments in its business. Details of the principal risks and uncertainties are included in the Strategic Report.

### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

### Going concern

The Company's business activities, together with financial risk management issues, are set out above as part of the strategic report.

In preparing these financial statements, the Directors have considered the uncertainty created by COVID-19. Whilst there are many unknowns at the time of writing, it is clear that the extent and nature of the impacts to the Company and wider Group will be determined by both the number of people infected, national and individual responses as well as our own business continuity actions.

The Company, as part of the Tilney Group, is taking proactive action and is activating business continuity plans to minimise the risk of disruption to business operations, considering Government advice and the need to safeguard the health of its employees.

The Directors have performed cash flow forecasts for a period of at least twelve months from the date of approval of these financial statements which take account of reasonably possible downsides in relation to AUM flows, market movements and costs.

Consequently, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**DIRECTORS' REPORT (CONTINUED)**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**Results and dividends**

The profit for the year, after taxation, amounted to £4,795,000 (2018 - £5,432,000).

The directors do not recommend payment of a final dividend. During the year the Company paid dividends of £5,000,000 (year ended 31 December 2018: £4,000,000).

**Directors**

The directors who served during the year were:

A Baddeley
A Edwards (resigned 29 November 2019)
P Frame (resigned 29 November 2019)
C Godding (resigned 29 November 2019)
A Grant (resigned 29 November 2019)
D Reid (resigned 29 November 2019)
C Woodhouse

**Capital management**

The Company manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the Company consists of issued share capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

The Company conducts an Internal Capital Adequacy Assessment Process ("ICAAP"), as required by the Financial Conduct Authority ("FCA") for establishing the amount of regulatory capital to be held by the Company.

The Pillar II assessment of the ICAAP is the Board of Directors' opinion of the level of capital the Company should hold to support the risks to which the Company is exposed, be they internal or external in origin. This takes into account the Company's Risk Register which is updated on a quarterly basis. The ICAAP is discussed and approved at a Tilney Investment Management Services Limited's Board meeting at least annually.

Capital adequacy is monitored monthly by management. The Company complied with the FCA's regulatory requirements throughout the period.

**Pillar 3 disclosure under Basel II**

The European Capital Requirements Directive introduced consistent capital adequacy standards and an associated supervisory framework in the EU based on the Basel II rules. It is the application of the Capital Requirement Directive and Basel II to the firm that requires it to make a public disclosure of qualitative information and is designed to promote market discipline by providing market participants with key information on a firm's risk exposures and risk management processes. For details of the Company's unaudited Pillar 3 disclosures, required under the FCA's Prudential Sourcebook for Investment Firms ("IFPRU"), please visit the Tilney Group website at www.tilney.co.uk.

**Engagement with suppliers, customers and others**

The directors are clear that good governance and effective communication are essential on a day-to-day basis to deliver the Company's purpose and to protect the Company's brand, reputation and relationships with all our stakeholder community. The Company actively engages with its stakeholders throughout the business cycle and continues to review and be challenged on how it can improve engagement. The Company is committed to appropriate and proactive client and supplier care of the highest standards and undertakes ongoing feedback assessments which enables the Company to enhance its relationships and develop its plans.

**DIRECTORS' REPORT (CONTINUED)**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Post balance sheet events

Since the balance sheet date, the COVID-19 pandemic has had a major impact around the world, with many countries introducing restrictions on free movement. This has had a major impact on financial markets, which have fallen sharply over concerns about the effect on the global economy. The Company has assessed whether the impact of COVID-19 impacts any of the key judgements made in preparing the financial statements, including use of the going concern basis, and has concluded that it does not. This assessment has included both the direct impact on the Company and its ability to continue operating under national "lockdown" restrictions, and the indirect effect of sharp market falls which impact the revenue generated by the Company. Further details are provided in note 19.

### Auditors

Under s487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf.

A Baddeley
Director

Date: 16 April 2020

6 Chesterfield Gardens
London
W1J 5BQ

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TILNEY INVESTMENT MANAGEMENT

### Opinion

We have audited the financial statements of Tilney Investment Management ("the Company") for the year ended 31 December 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state 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 UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

### Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TILNEY INVESTMENT MANAGEMENT

**Matters on which we are required to report by exception**
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

**Directors' responsibilities**
As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**
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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

**The purpose of our audit work and to whom we owe our responsibilities**
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.

M. Humphrey

Matthew Humphrey (Senior statutory auditor)

for and on behalf of
**KPMG LLP**

15 Canada Square
London
E14 5GL
17 April 2020

## PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | 2019 £000 | 2018 £000 |
|---|---|---|---|
| Turnover | 3 | 24,103 | 25,154 |
| Cost of sales | | (44) | (46) |
| **Gross profit** | | 24,059 | 25,108 |
| Administrative expenses | | (17,941) | (19,081) |
| **Operating profit** | 4 | 6,118 | 6,027 |
| Interest receivable and similar income | 7 | 70 | 59 |
| Interest payable and similar expenses | 8 | 3 | 6 |
| **Profit before tax** | | 6,191 | 6,092 |
| Tax on profit | 9 | (1,396) | (660) |
| **Profit for the financial year** | | 4,795 | 5,432 |

There were no recognised gains and losses for 2019 or 2018 other than those included in the profit and loss account.

The notes on pages 15 to 32 form part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | 2019<br>£000 | 2018<br>£000 |
|---|---|---|---|
| Profit for the financial year | | 4,795 | 5,432 |
| **Other comprehensive income:** | | | |
| **Items that will not be reclassified to profit or loss:** | | | |
| Actuarial gain/(loss) on defined benefit schemes | | 2,677 | (1,259) |
| Movement of deferred tax relating to pension (deficit)/surplus | | (509) | 252 |
| | | 2,168 | (1,007) |
| **Total comprehensive income for the year** | | 6,963 | 4,425 |

The notes on pages 15 to 32 form part of these financial statements.

**TILNEY INVESTMENT MANAGEMENT**
**REGISTERED NUMBER: 02010520**

BALANCE SHEET

**AS AT 31 DECEMBER 2019**

| | Note | | 2019 £000 | | 2018 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 11 | | 738 | | 880 |
| Pension asset | 21 | | 2,825 | | 164 |
| | | | 3,563 | | 1,044 |
| **Current assets** | | | | | |
| Debtors: amounts falling due after more than one year | 12 | 1,902 | | 1,775 | |
| Debtors: amounts falling due within one year | 12 | 27,386 | | 18,359 | |
| Cash at bank and in hand | | 980 | | 5,925 | |
| | | 30,268 | | 26,059 | |
| Creditors: amounts falling due within one year | 13 | (15,405) | | (10,981) | |
| **Net current assets** | | | 14,863 | | 15,078 |
| **Total assets less current liabilities** | | | 18,426 | | 16,122 |
| Creditors: amounts falling due after more than one year | 14 | | - | | (2) |
| | | | 18,426 | | 16,120 |
| **Provisions for liabilities** | | | | | |
| Deferred taxation | 16 | (343) | | - | |
| | | | (343) | | - |

**TILNEY INVESTMENT MANAGEMENT**
**REGISTERED NUMBER: 02010520**

**BALANCE SHEET (CONTINUED)**
**AS AT 31 DECEMBER 2019**

| | Note | 2019 £000 | 2018 £000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Called up share capital | 17 | 12,304 | 12,304 |
| Profit and loss account | | 5,779 | 3,816 |
| | | 18,083 | 16,120 |

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 16 April 2020.

**A Baddeley**
Director

The notes on pages 15 to 32 form part of these financial statements.

TILNEY INVESTMENT MANAGEMENT

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2019

| | Called up share capital | Profit and loss account | Total equity |
|---|---|---|---|
| | £000 | £000 | £000 |
| **At 1 January 2018** | 12,304 | 3,391 | 15,695 |
| **Comprehensive income for the year** | | | |
| Profit for the year | - | 5,432 | 5,432 |
| Actuarial losses on pension scheme | - | (1,007) | (1,007) |
| **Total comprehensive income for the year** | - | 4,425 | 4,425 |
| Dividends: Equity capital | - | (4,000) | (4,000) |
| **At 1 January 2019** | 12,304 | 3,816 | 16,120 |
| **Comprehensive income for the year** | | | |
| Profit for the year | - | 4,795 | 4,795 |
| Actuarial gains on pension scheme | - | 2,168 | 2,168 |
| **Total comprehensive income for the year** | - | 6,963 | 6,963 |
| Dividends: Equity capital | - | (5,000) | (5,000) |
| **At 31 December 2019** | 12,304 | 5,779 | 18,083 |

The notes on pages 15 to 32 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

## 1. General information

Tilney Investment Management (the "Company") is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on page 7. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1 - 4.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The following principal accounting policies have been applied:

### 2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

## 2. Accounting policies (continued)

### 2.3 Going concern

The Company's business activities, together with financial risk management issues, are set out above as part of the strategic report.

In preparing these financial statements, the directors have considered the uncertainty created by COVID-19. Whilst there are many unknowns at the time of writing, it is clear that the extent and nature of the impacts to the Company and wider Group will be determined by both the number of people infected, national and individual responses as well as our own business continuity actions.

The Company, as part of the Tilney Group, is taking proactive action and is activating business continuity plans to minimise the risk of disruption to business operations, considering Government advice and the need to safeguard the health of its employees.

The directors have performed cash flow forecasts for a period of at least twelve months from the date of approval of these financial statements which take account of reasonably possible downsides in relation to AUM flows, market movements and costs.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### 2.4 Foreign currency translation

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

### 2.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

*Turnover*
Turnover represents commissions receivable and fees receivable for the provision of investment advice and investment management services. Commissions receivable includes estimates of amounts yet to be received at year end. Investment management fees receivable includes estimates of amounts contractually due from clients yet to be invoiced. Any commissions and distribution fees payable to third parties are presented as cost of sales.

**2. Accounting policies (continued)**

**2.6 Leases**

**The Company as a lessee**

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. [Provide an explanation how the incremental borrowing rate is determined].

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in 'Creditors' on the Balance Sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in Tangible Fixed Assets in the Balance Sheet.

## 2. Accounting policies (continued)

### 2.6 Leases (continued)

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.10.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

### 2.7 Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### 2.8 Pensions

**Defined benefit pension plan**

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

## 2. Accounting policies (continued)

### 2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

### 2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

| | | |
|---|---|---|
| Property fixtures and fittings | - | 10% per annum straight line |
| Computer equipment and right of use assets | - | 25% per annum straight line |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss Account.

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

## 2. Accounting policies (continued)

### 2.11 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

### 2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

## 3. Turnover

An analysis of turnover by class of business is as follows:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Discretionary investment management | 21,885 | 22,091 |
| Advisory investment management | 2,154 | 2,627 |
| Execution only | 64 | 436 |
| | 24,103 | 25,154 |

All turnover arose within the United Kingdom.

## 4. Operating profit

The operating profit is stated after charging:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Depreciation of tangible fixed assets | 142 | 149 |
| Exchange differences | 5 | - |

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

## 5. Auditors' remuneration

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements | 22,000 | 25,000 |

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

## 6. Staff costs

The emoluments of the directors were paid and borne by Tilney Services Limited, another subsidiary within the group. None of their remuneration was specifically attributable to their services to the Company.

Staff costs were paid and borne by Tilney Services Ltd. Tilney Services Limited allocated a portion of its salary and administrative costs to the Company based upon the proportion of revenue generated by the Company and the other operating subsidiaries within the group.

## 7. Interest receivable

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Other interest receivable | 70 | 59 |

## 8. Interest payable and similar expenses

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Interest on lease liabilities | - | 1 |
| Net interest (receivable)/payable on pension asset | (3) | (7) |
| | (3) | (6) |

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

## 9. Taxation

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| **Corporation tax** | | |
| Current tax on profits for the year | 1,158 | - |
| Adjustments in respect of previous periods | 257 | - |
| **Total current tax** | 1,415 | - |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (65) | 658 |
| Changes to tax rates | 46 | 2 |
| **Total deferred tax** | (19) | 660 |
| **Taxation on profit on ordinary activities** | 1,396 | 660 |

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| Profit on ordinary activities before tax | 6,191 | 6,092 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%) | 1,176 | 1,157 |
| **Effects of:** | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 42 | (23) |
| Adjustments to tax charge in respect of prior periods | 224 | - |
| Other differences leading to an increase (decrease) in the tax charge | - | 252 |
| Group relief | - | (724) |
| Adjustment in respect of rate change | (46) | (2) |
| **Total tax charge for the year** | 1,396 | 660 |

## 9. Taxation (continued)

### Factors that may affect future tax charges

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These rate reductions were substantively enacted by the balance sheet date and therefore included in these financial statements. Temporary differences have been remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

## 10. Dividends

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| Amounts recognised as distributions to equity holders in the year | 5,000 | 4,000 |

## 11. Tangible fixed assets

| | Fixtures and fittings<br>£000 | Computer equipment<br>£000 | Right-of-use assets<br>£000 | Total<br>£000 |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 January 2019 | 1,406 | 1,372 | 42 | 2,820 |
| At 31 December 2019 | 1,406 | 1,372 | 42 | 2,820 |
| **Depreciation** | | | | |
| At 1 January 2019 | 529 | 1,372 | 39 | 1,940 |
| Charge for the year on owned assets | 139 | - | - | 139 |
| Charge for the year on right-of-use assets | - | - | 3 | 3 |
| At 31 December 2019 | 668 | 1,372 | 42 | 2,082 |
| **Net book value** | | | | |
| At 31 December 2019 | 738 | - | - | 738 |
| At 31 December 2018 | 877 | - | 3 | 880 |

## 12. Debtors

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| **Due after more than one year** | | |
| Loans to third parties | 1,902 | 1,628 |
| Deferred tax asset | - | 147 |
| | 1,902 | 1,775 |

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| **Due within one year** | | |
| Receivables from contracts with customers | 1,856 | 2,113 |
| Amounts owed by group undertakings | 22,725 | 12,903 |
| Other debtors | 214 | 874 |
| Prepayments and accrued income | 2,591 | 2,469 |
| | 27,386 | 18,359 |

## 13. Creditors: Amounts falling due within one year

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| Amounts owed to group undertakings | 15,395 | 10,842 |
| Lease liabilities | 2 | 9 |
| Other creditors | 4 | - |
| Accruals and deferred income | 4 | 130 |
| | 15,405 | 10,981 |

## 14. Creditors: Amounts falling due after more than one year

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| Lease liabilities | - | 2 |

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

## 15. Leases

### Company as a lessee

Lease liabilities are due as follows:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Not later than one year | 2 | 9 |
| Between one year and five years | - | 2 |
| | 2 | 11 |

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Interest expense on lease liabilities | - | 1 |

## 16. Deferred taxation

| | 2019 £000 | 2018 £000 |
|---|---|---|
| At beginning of year | 147 | 555 |
| Charged to profit or loss | 19 | (660) |
| Charged to other comprehensive income | (509) | 252 |
| **At end of year** | (343) | 147 |

The deferred tax (liability)/asset is made up as follows:

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Accelerated capital allowances | 150 | 175 |
| Pension surplus | (493) | (28) |
| | (343) | 147 |

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

## 17. Share capital

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 12,304,000 (2018 - 12,304,000) Ordinary shares of £1.00 each | 12,304 | 12,304 |

## 18. Related party transactions

The company has taken advantage of the exemption in FRS 101 "Reduced Disclosures Framework" from the requirement to disclose transactions with group companies on the grounds that it is 100% owned by Tilney Group Limited.

**Loans to directors**

As of 31 December 2019, there is £213,000 (31 December 2018: £120,000) of outstanding loans made to the directors of the Company which is included in Debtors on the Balance Sheet. These loans have interest rates ranging from 2.5% to 4%, are securitised by shares held in Violin Topco Limited, a parent undertaking of the Group, and will be settled in cash. These loans were issued to the individuals for the use in purchasing shares in Violin Topco Limited.

## 19. Post balance sheet events

Since the balance sheet date, the COVID-19 pandemic has had a major impact around the world, with many countries introducing restrictions on free movement. This has had a major impact on financial markets, which have fallen sharply over concerns about the effect on the global economy, and has also had a major impact on individual businesses trying to operate under national "lockdown" restrictions.

The Company has assessed both the direct impact of COVID-19 on the ability of the business to continue operating throughout the lockdown period, and the indirect impact that falling markets have on revenue generation. The Company has taken various measures to allow it to continue operating, including successfully adopting extensive homeworking arrangements in advance of government guidance. The Company has also prepared revised financial forecasts for 2020 and 2021 to assess the impact of COVID-19 on the financial performance of the company, including cash flow generation. Based on the analysis performed, it has been concluded that preparation of the financial statements on a going concern basis remains appropriate and there is no deterioration to the surplus of the defined benefit pension scheme.

## 20. Controlling party

The Company's immediate parent undertaking is Tilney (Holdings) Limited, a company incorporated in the United Kingdom.

The directors consider the ultimate parent company and ultimate controlling party to be Alexlux Sarl, a company incorporated in Luxembourg.

Tilney Group Limited is the parent undertaking of the smallest group for which group financial statements are produced. The address for Tilney Group Limited is 6 Chesterfield Gardens, Mayfair, London, W1J 5BQ. Copies of the group accounts of that company are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

## 21. Retirement benefit schemes

### Defined benefit schemes

The Company operates a final salary defined benefit pension scheme in the UK (the "Pension Fund"). The Pension Fund is an HMRC registered pension scheme and is subject to standard UK pensions and tax law. Details of the benefits provided by the Pension Fund are set out in the Trust Deed and Rules dated 18 March 2011.

The disclosures in these accounts below are based on calculations carried out as at 31 December 2019 by a qualified independent actuary.

The Pension Fund's assets are held in a separate trustee-administered fund to meet long term pension liabilities to beneficiaries. The Trustees of the Pension Fund are required to act in the best interest of the beneficiaries. The appointment of Trustees is determined by the trust documentation.

The Trustees of the Pension Fund invest the assets in line with the Statement of Investment Principles. The Statement of Investment Principles has been established taking into consideration the liabilities of the Pension Fund and the investment risk that the Trustees are willing to accept.

Under the Scheme Funding regime introduced by the Pensions Act 2004, the Trustees are required to carry out regular scheme funding valuations of the Pension Fund and establish a schedule of contributions and a recovery plan when there is a shortfall in the Pension Fund. The recovery plan details the amount and timing of the contributions required to eliminate the shortfall in the Pension Fund. Scheme funding valuations are carried out at least every three years. Approximate funding updates are produced annually in years where a full scheme funding valuation is not being completed.

At each scheme funding valuation, the present value of the contributions detailed in the current recovery plan is compared with any shortfall revealed. Where the contributions under the current recovery plan are no longer sufficient to remove the shortfall by the end of period specified in the recovery plan a new recovery plan will need to be agreed between the Trustees and the Company. Options include increasing contributions due from the employer, extending the recovery period with additional contributions paid after the expiry of the current recovery period or some combination of the two. The affordability to the employer of any increase in contributions is a primary factor in the agreement of any new recovery plan. Where the contributions are more than sufficient to remove the shortfall by the end of the recovery period, options include reducing contributions due, keeping the recovery period the same, or shortening the recovery period.

In 2019, the Company implemented guidance on the application of IFRIC 14 and has recognised the full amount of the defined benefit pension scheme surplus as an asset of £2,825,000. In 2018, the Company recognised a retirement benefit asset of £164,000 due to the effect of applying the asset ceiling limit. If management had not applied the asset ceiling, a defined benefit asset of £5,533,000 would have been recognised.

## 21. Retirement benefit schemes (continued)

### Defined benefit schemes (continued)

As at 31 December 2019, contributions are payable to the Pension Fund at the rates specified in the Schedule of Contributions signed by the Company and the Trustees on 16 December 2014. Contributions for 2019 amounted to £59,000 (2018: £1,719,000).

The balance sheet calculations are the result of a valuation exercise and the projected profit and loss figures are the result of a planning exercise.

The defined benefit pension scheme exposes the Company to actuarial risks, such as longevity risk, interest rate risk, salary risk, market (investment) risk and currency risk.

### Principal assumptions

The principal actuarial assumptions at the balance sheet date were:

| | At 31 December 2019 | At 31 December 2018 |
|---|---|---|
| Discount rate | 1.97% pa | 2.86% pa |
| RPI Inflation | 3.00% pa | 3.23% pa |
| CPI Inflation | 2.10% pa | 2.33% pa |
| Rate of increase in salaries | 3.00% pa | 3.23% pa |
| Rate of increase in pensions in payment: | | |
| RPI (max 5.0%) | 2.93% | 3.12% |
| Mortality | S3PxA CMI 2018 with an IAMI of 0.5% pa and a long term rate of improvement of 1.25% pa | S2PxA light CMI 2017 with long term improvement of 1.25% pa (110% rating for males, no rating for females) |
| Withdrawals | Age | Age |
| Cash commutation | 50% of maximum tax free | 50% of maximum tax free |
| Life expectancy of male aged 65 now | 22.10 | 22.40 |
| Life expectancy of male aged 65 in 20 years | 23.50 | 23.70 |
| Life expectancy of female aged 65 now | 24.40 | 24.10 |
| Life expectancy of female aged 65 in 20 years | 25.80 | 25.60 |

For the avoidance of doubt the above assumptions are in absolute terms.

## 21. Retirement benefit schemes (continued)

### Asset breakdown

The major categories of the Scheme assets are:

| | At 31 December 2019 | At 31 December 2018 |
|---|---|---|
| Equities | 32.8% | 29.2% |
| Hedge Funds | 19.0% | 19.4% |
| Liability Driven Investment | 16.0% | 19.2% |
| Corporate Bonds | 23.3% | 21.9% |
| Property | 1.3% | 1.0% |
| Cash | 7.6% | 9.3% |
| Total | **100.0%** | **100.0%** |

### Net defined benefit asset

| | At 31 December 2019 £000 | At 31 December 2018 £000 |
|---|---|---|
| Fair value of Scheme assets | 58,997 | 53,900 |
| Present value of defined benefit obligation | 56,172 | 48,367 |
| Surplus | 2,825 | 5,533 |
| Reimbursement rights recognised as an asset | - | - |
| Net defined benefit asset before consideration of minimum funding | 2,825 | 5,533 |
| Effect of asset ceiling limit | - | (5,369) |
| Net defined benefit asset before tax | 2,825 | 164 |
| Related deferred tax asset | (493) | (28) |
| Net defined benefit asset | 2,332 | 136 |

### Development of net defined benefit asset

| | At 31 December 2019 £000 | At 31 December 2018 £000 |
|---|---|---|
| *Net defined benefit asset at start of year | 164 | 282 |
| Net periodic benefit cost | (75) | (578) |
| Employer contributions | 59 | 1,719 |
| Remeasurements of the net defined benefit asset | (2,846) | (87) |
| Change in the effect of the asset ceiling | 5,523 | (1,172) |
| Net defined benefit asset before tax at end of year | 2,825 | 164 |

*After effect of asset ceiling limit

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

## 21. Retirement benefit schemes (continued)

### Reconciliation of asset ceiling

| | At 31 December 2019 | At 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Opening asset ceiling | (5,369) | (4,096) |
| Interest income on asset ceiling | (154) | (101) |
| Change in asset ceiling | 5,523 | (1,172) |
| Closing asset ceiling | - | (5,369) |

### Total expense recognised in profit or loss

| | At 31 December 2019 | At 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Current service cost | 78 | 90 |
| Net interest on the net defined benefit liability/(asset) | (3) | (7) |
| Past service cost (including curtailments) | - | 495 |
| Losses/(gains) on settlements | - | - |
| Total | 75 | 578 |

### Movements in present value of defined benefit obligation

| | At 31 December 2019 | At 31 December 2018 |
|---|---|---|
| | £000 | £000 |
| Opening present value of defined benefit obligation | 48,367 | 52,203 |
| Current service cost | 78 | 90 |
| Contributions by members | 13 | 13 |
| Interest cost | 1,369 | 1,266 |
| Actuarial gains from changes in demographic assumptions | (178) | (325) |
| Actuarial losses/(gains) from changes in financial assumptions | 7,634 | (3,697) |
| Changes due to experience adjustments apart from equalisation | 175 | 38 |
| Changes due to equalisation adjustment | - | - |
| Settlement | - | - |
| Liabilities assumed in a business combination | - | - |
| Past service cost including curtailments | - | 495 |
| Exchange adjustments | - | - |
| Benefits paid | (1,286) | (1,716) |
| Benefits paid in respect of settlements | - | - |
| Closing defined benefit obligation | 56,172 | 48,367 |

## 21. Retirement benefit schemes (continued)

### Movements in fair value of Scheme assets

| | At 31 December 2019 £000 | At 31 December 2018 £000 |
|---|---|---|
| Opening fair value of Scheme assets | 53,900 | 56,581 |
| Interest income | 1,526 | 1,374 |
| Remeasurement: return on Scheme assets less interest income | 4,785 | (4,071) |
| Assets distributed on settlements | - | - |
| Contributions by employer | 59 | 1,719 |
| Contributions by members | 13 | 13 |
| Assets acquired in business combination | - | - |
| Exchange adjustments | - | - |
| Benefits paid | (1,286) | (1,716) |
| Closing fair value of Scheme assets | 58,997 | 53,900 |

### Reconciliation of reimbursement rights recognised as an asset

| | At 31 December 2019 £000 | At 31 December 2018 £000 |
|---|---|---|
| Opening fair value of reimbursement rights | - | - |
| Interest income on reimbursement rights | - | - |
| Return on reimbursement rights less interest income | - | - |
| Reimbursements received | - | - |
| Closing fair value of reimbursement rights | - | - |

### Statement of amount recognised in other comprehensive income

| | At 31 December 2019 £000 | At 31 December 2018 £000 |
|---|---|---|
| Loss/(gain) from changes in the financial assumptions for value of Scheme | 7,634 | (3,697) |
| Gain from changes in the demographic assumptions for value of Scheme | (178) | (325) |
| Changes due to experience adjustments including equalisation | 175 | 38 |
| Return on plan assets (excluding amounts included in net interest on the net defined benefit asset) | (4,785) | 4,071 |
| Change in the effect of the asset ceiling | (5,523) | 1,172 |
| Other comprehensive loss/(income) | (2,677) | 1,259 |

### Statement of amount recognised in profit and loss and other comprehensive income

| | At 31 December 2019 £000 | At 31 December 2018 £000 |
|---|---|---|
| Amount recognised in profit and loss | 75 | 578 |
| Other comprehensive (income)/loss | (170) | 1,259 |
| Total comprehensive (income)/loss | (95) | 1,837 |
| Net income/(loss) recognised directly in equity | 95 | (1,837) |

## 21. Retirement benefit schemes (continued)

**Sensitivity of Defined Benefit Obligation at 31 December 2019**

The results of the calculations are sensitive to the assumptions used.

The table below illustrates the sensitivity of the FRS101 defined benefit obligation to small changes in some of the assumptions. Where one assumption has been changed all the other assumptions are kept the same as disclosed above.

| | Increase in disclosed defined benefit obligation £000 |
|---|---|
| Discount rate less 0.1% pa | 1,045 |
| RPI inflation and linked assumptions plus 0.1% pa | 836 |
| Members living one year longer than assumed | 544 |