



SANLAM PRIVATE INVESTMENTS (UK) LTD

Annual Report and Accounts
for the year ended 31 December 2020



Sanlam Private Investments (UK) Ltd

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Sanlam Private Investments (UK) Ltd

Company Information

Directors

J Polin

J White

D Mason

C Roothman

N Fraser

Statutory Auditors

Ernst & Young LLP

The Paragon

Counterslip

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EC3R 8AJ

Registered Number

02041819

Sanlam Private Investments (UK) Ltd

Directors' Report

The directors of Sanlam Private Investments (UK) Ltd (the "Company") present their annual report together with the audited financial statements for the year ended 31 December 2020.

Principal activity

The principal activity of the Company during the year was the provision of tailored, professional investment management services to private clients, trusts, charities, a range of corporate customers and collective funds.

On 29 February 2020, Sanlam Private Wealth South Limited ("SPWS"), a fellow subsidiary, transferred legal benefit to all of its client contracts to the Company and Sanlam Investments UK Limited, a fellow subsidiary, as part of a program of legal entity rationalisation. SPWS retained economic rights to those assets until such time as the full transfer of the beneficial ownership of all assets, together with the employment contracts in respect of the employees of SPWS is completed. Transfer of the equitable title to the assets together with all employment contracts and trading and operational assets is expected to complete on 30 June 2021, following which SPWS will be placed into a solvent liquidation.

Regulation

The Company is incorporated in England and Wales, and is regulated by the Financial Conduct Authority ("FCA"). The Company is part of the Sanlam Investment Holdings UK Limited group (the "Group") for regulatory capital purposes, though the Company is still required to meet its own regulatory capital requirements.

The Company is classified as an IFPRU 125k limited licence firm. As at 31 December 2020, the Company had a CET1 Capital ratio of 17% (Minimum requirement 4.5%), T1 Capital ratio of 17% (Minimum requirement 6%) and a Total capital ratio of 17% (Minimum requirement 8%).

The Company has carried out an assessment of the amount of capital required to cover its business needs and risks, as required to determine its Pillar 1 and 2 capital resources requirement. Based on this assessment the Company is confident it has sufficient capital to meet its Pillar 1 and 2 capital resources requirements. The Pillar 3 disclosures are available on the Company's website at www.sanlam.co.uk.

Directors' Report (continued)

Remuneration

The Group aims to operate a remuneration policy and reward structure that will attract, retain and motivate high quality staff within the parameters of the Group's ability to pay, market trends and individual performance. It recognises that an appropriate reward structure should contain both short term and long term elements to avoid a 'short-term' approach to the management of the business and ensure client satisfaction, quality, risk and service standards are not compromised. The Company's remuneration policy is formulated by the executive team and is reviewed and approved by the Group HR and Remuneration Committee. There are three main elements to the remuneration structure: basic salary and related benefits (fixed remuneration), annual bonus arrangement (short-term variable remuneration) and long term incentive arrangements (long-term variable remuneration).

Going concern

The Directors are responsible for making a formal assessment as to whether it is appropriate to adopt the going concern basis in preparing the financial statements. This assessment considers the Company's access to financial resources, sufficient for it to meet its obligations over the next 12 months. To do this, the Company must have sufficient assets, not only to meet the payments and commitments associated with its business, but also to withstand the impact of other events that might reasonably be expected to happen.

The Directors have examined the Company's business activities, along with its financial position, capital structure, risk management approach and factors likely to affect its future performance. After making enquiries, the Directors are satisfied that the Company has a viable business proposition and robust strategic plan which is expected to continue and produce adequate resources to continue in business for a period of 12 months from the date of approval of the financial statements.

The Directors have also considered specific Covid-19 stress scenarios at the overall UK Group level. Under these stress scenarios the Company's capital was projected to remain above regulatory requirements and sufficient liquidity exists to meet liabilities as they fall due. Operationally the Company has adapted to employee remote working in response to the pandemic and there has been no adverse material impacts to customer outcomes.

Accordingly, the Directors consider they have given due consideration to all the potential risks and possible actions available. The Directors concluded that it remains appropriate to prepare the financial statements on a going concern basis.

Sanlam Private Investments (UK) Ltd

Directors' Report (continued)

Directors

The current directors of the Company, who have served throughout the year except where noted below, are shown on page 1. Directors who were appointed or resigned during the period are as follows:

N Fraser (appointed 5 May 2020, resigned 11 June 2020, reappointed 6 November 2020)

Directors indemnities

The Company maintains directors' and officers' liability insurance which gives appropriate cover for legal action brought against its directors.

Disclosure of information to the auditor

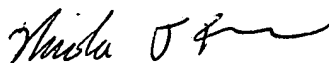
Each director who held office at the date of approval of this report confirms that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

Appointment of auditor

Following a tender process led by the South African Sanlam Group Audit Committee to appoint joint auditors for the Sanlam Limited group, the Board and the sole member of the Company are expected to approve the appointment of KPMG LLP ("KPMG") as the Company's next external auditor, replacing Ernst & Young LLP. The first reporting period subject to audit by KPMG will therefore be the year ending 31 December 2021.

By Order of the Board



N Fraser
Director
17 May 2021

Strategic Report for the year ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Business review

Revenue increased from £25,775k to £27,833k, mainly due to increased transactional revenue arising from increased trading activity. Administrative expenses decreased from £27,354k to £25,908k, mainly due to lower project costs in 2020. As a result of the aforementioned, profit for the financial year increased to £1,283k from a loss of £1,594k, contributing to the increase in shareholder's funds to £11,682k (2019: £10,399k). Funds under management increased to £4.7bn (2019: £3.1bn) due to the novation of clients previously under management by Sanlam Private Wealth South Limited. The economic rights to those assets were retained by Sanlam Private Wealth South Limited until such time as the full transfer of the beneficial ownership of all assets is completed, which is expected to complete on 30 June 2021.

Our approach to risk management

A strong risk and compliance culture is fundamental to how we manage the business. Effective risk-based decision-making is essential to the delivery of the right outcomes for our clients and all our stakeholders. Ultimate accountability for risk management rests with the Board who oversee the effectiveness of the Risk Management Framework (RMF).

Three lines of defence

We operate 'three lines of defence' in the management of risk so that there are clearly defined roles and responsibilities within our RMF:

- First line: Day-to-day risk management, including identification and mitigation of risks and maintaining appropriate controls
- Second line: Risk oversight is provided by the Risk and Compliance function
- Third line: Independent verification of the adequacy and effectiveness of our risk and control management systems is provided by our Internal audit function.

Our principal risks and uncertainties

The specific risks we face as a Company are driven by what we choose to do and how we do it, as well as the wider environment in which we operate. Our principal and emerging risks are subject to robust assessment by the Board and the principal risks are described in the following pages.

Strategic Risk

Those risks which threaten the achievement of the strategy through failing to meet customer/client expectations, poor strategic decision-making, implementation or response to changing circumstances. The Chief Executive (supported by the executive leadership team) is responsible for the development and promotion of our strategy and the monitoring of its progress and success. Regular assessments of the business plan are performed.

Strategic Report for the year ended 31 December 2020 (continued)

Financial Risk

The risk that we have insufficient financial resources or suffer loss from adverse markets or the failure/default of counterparties. Our business is exposed to the overall level of revenue margins on our investment mandates and wealth services as well as inflows and outflows throughout the year and global markets. Financial discipline is required to manage our cost base and align it to our revenue outlook to manage our overall financial efficiency. Our capital and liquidity positions are directly impacted by our profitability. Capital is held against our risks and we review these risks on an ongoing basis. Stress testing assesses our financial resilience to market risk, operational risk and business risk. Management closely oversee fees and costs in relation to our proposition.

Conduct Risk

The risk that through our behaviours, strategies, decisions and actions we fail to meet customer/client expectations, and/or deliver unfair outcomes, and/or have poor market conduct. Our business relies on our ability to ensure fair client and customer outcomes. Failure to achieve these outcomes poses significant reputational damage and likely financial losses for our business. A Code of Conduct is applicable for all of our people, mandatory training modules embed a strong conduct culture across our business and conduct is embedded within our Risk Management Framework and regular conduct risk agenda items at the Risk and Capital Committee.

Regulatory Risk

The risk of regulatory or legal sanction, reputational damage or financial consequences as a result of a failure to comply with, or adequately allow for changes in, all applicable laws and legislation, contractual requirements or regulations. Scanning of the regulatory horizon ensures we engage early in any areas of potential regulatory change.

Operational risks

People

The risk that resources and employment practices do not align with our strategic objectives. We are a people business and the engagement of our people is critical to the implementation of our business plan, our strategy and the overall success of the business. We promote stability, engagement and diversity in our workforce and operate competitive remuneration packages.

Technology

The risk of the failure of technology systems to adapt to changing business needs and from unwanted actions of unauthorised users including through cyber-attacks. We operate an ongoing programme of investment and improvements in enhancing and developing controls in IT infrastructure and have outsourced some critical IT processes to a shared service centre with a view to enabling these services to be delivered and developed by a specialist third party.

Business Resilience

The risk of business interruptions from a range of internal and external incidents or threats including environmental and climatic issues, terrorism, economic instabilities, pandemic and operational incidents.

Strategic Report for the year ended 31 December 2020 (continued)

Business Resilience (continued)

We operate business continuity and contingency planning processes which are regularly reviewed and tested and our ability to respond and adapt quickly to a working from home environment during Covid-19 demonstrates the resilience of the business.

Fraud & Financial Crime

As a business, we handle clients' and customers' money which exposes us to the risk of fraud. We also engage with a wide number of external parties and we have to be vigilant to the risk that these parties are connected with criminal behaviour or are subject to sanctions by national or global authorities. We have robust controls covering anti-money laundering, anti-bribery, fraud and other areas of financial crime and provide regular training to our people in this area.

COVID-19

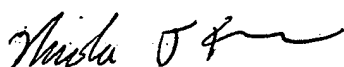
As well as the heavy human cost, Covid-19 presents a huge and ongoing challenge for many businesses. When the first lockdown came in, the Company adapted swiftly so that employees could operate effectively whilst working from home. By putting a high priority on employees' well-being, the Company ensured it could maintain an uninterrupted service to customers, colleagues and communities through this period of uncertainty.

At this time, there still remains uncertainty as to how long the Covid-19 pandemic will last and as to the extent and duration of the economic, financial and other disruptions caused by the pandemic. The UK government, in England, has published the 'Covid-19 Response - Spring 2021' setting out the roadmap out of the current coronavirus restrictions. This is a step-by-step plan to ease restrictions cautiously. The Directors will continue to monitor the impact of Covid-19 on the Company through the usual governance mechanisms, including the regular oversight of financial performance, capital cover and other strategic monitoring triggers.

UK exit from the European Union (Brexit)

The UK left the European Union ('EU') on 31 January 2020. A transitional period, during which the UK was no longer a member of the EU but was subject to EU rules and remained a member of the Customs Union, concluded on 31 December 2020. The UK's future trading relationship with the EU though materially agreed still remains subject to negotiation and further agreement. Brexit is not expected to have a significant impact on the Company as its clients are primarily based in the UK and South Africa. However, developments in the trading relationship continue to be monitored. Whilst there are certain Brexit-related changes to company law, there are no new accounting and financial reporting requirements that relate specifically to the UK leaving the EU that impact on the Company.

By Order of the Board



N Fraser
Director
17 May 2021

Statement of Directors' responsibilities in respect of the Financial Statements

The directors are responsible for preparing the annual 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 Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable Law), including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 year.

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- 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.

Sanlam Private Investments (UK) Ltd

Independent Auditor's report to the members of Sanlam Private Investments (UK) Ltd

Opinion

We have audited the financial statements of Sanlam Private Investments (UK) Ltd for the year ended 31 December 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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. 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, 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Sanlam Private Investments (UK) Ltd

Independent Auditor's report to the members of Sanlam Private Investments (UK) Ltd (continued)

Other information

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

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.

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 course of 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 themselves. 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; 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.

Sanlam Private Investments (UK) Ltd

Independent Auditor's report to the members of Sanlam Private Investments (UK) Ltd (continued)

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 8, 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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. 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 the direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework which is United Kingdom Accounting Standards including FRS 102 and the Companies Act 2006. We identified how the company is complying with those frameworks by taking into account oversight by those charged with governance i.e. considering the potential for override of controls or other inappropriate influence over the financial reporting process such as efforts by management to manage earnings, the culture of honesty and ethical behaviour. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Financial Conduct Authority ("FCA").

Sanlam Private Investments (UK) Ltd

Independent Auditor's report to the members of Sanlam Private Investments (UK) Ltd (continued)

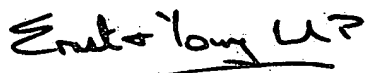
Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We understood how the company is complying with those frameworks by making enquiries of management, those charged with governance and those responsible for legal and compliance matters. We also reviewed correspondence between the company and the FCA, reviewed minutes of the Board of Directors, and gained an understanding of the company's approach to governance, demonstrated by the internal control processes.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by inquiries of management, those charged with governance and others within the company, as to whether they have any knowledge of any actual or suspected fraud, and considering any risks of fraud that have been identified by management or brought to the attention of management. We identified that management override of controls and processes was a risk of material fraud and designed audit procedures to address this risk, specifically around non-standard, manual top-side journals posted to revenue. We tested the appropriateness of the journal entries in the general ledger and did not identify any unusual or unsupported journal entry postings.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries with management and as a result of our enquiries, management is not aware of any material non-compliance with laws and regulations affecting the financial statements. Based on our testing of non-standard journal entries posted during the period and our enquiries, we are not aware of any instances of material non-compliance with laws and regulations. We are not aware of any fines or penalties imposed by any regulatory bodies during the year.

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

Use of our report

This report is made solely to the 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.

 ERNST & YOUNG LLP

Richard Page (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

Date: 18 May 2021

Sanlam Private Investments (UK) Ltd

Profit and Loss Account for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Revenue	2	27,833	25,775
Administrative expenses		<u>(25,908)</u>	<u>(27,354)</u>
Operating profit/(loss)	3	1,925	(1,579)
Other income	6	4	33
Interest payable and similar charges	7	<u>(466)</u>	<u>(140)</u>
Profit/(loss) on ordinary activities before tax		1,463	(1,686)
Tax on profit/(loss) on ordinary activities	8	<u>(180)</u>	<u>92</u>
Profit/(loss) for the financial year	19	<u>1,283</u>	<u>(1,594)</u>

There are no recognised gains and losses other than those passing through the profit and loss account. All operations relate to continuing operations.

The notes on pages 16 to 32 form part of these financial statements.

Sanlam Private Investments (UK) Ltd

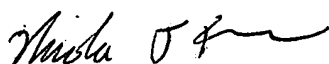
Balance Sheet as at 31 December 2020

	Note	2020 £000	2019 £000
FIXED ASSETS			
Tangible assets	9	1,257	797
Fixed asset investments	10	-	-
		<u>1,257</u>	<u>797</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	11	17,689	16,622
Equity investments held at fair value through profit and loss	12	1,395	14
Cash at bank		7,611	4,495
Debtors: amounts falling due after one year	14	39	194
		<u>26,734</u>	<u>21,325</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	13	16,094	11,387
		<u>10,640</u>	<u>9,938</u>
NET CURRENT ASSETS			
Provisions for liabilities	16	215	336
		<u>11,682</u>	<u>10,399</u>
NET ASSETS			
CAPITAL AND RESERVES			
Called up share capital	17	100	100
Capital redemption reserve	18	103	103
Profit and loss account	18	11,479	10,196
SHAREHOLDERS' FUNDS	19	<u>11,682</u>	<u>10,399</u>

The accompanying notes form an integral part of these financial statements.

Approved by the Board

Company Number 02041819



N Fraser
Director
17 May 2021

Statement of Changes in Equity for the year ended 31 December 2020

	Called-up share capital	Capital redemption reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000
Balance as at 1 January 2019	100	103	11,790	11,993
Loss for the year after taxation	-	-	(1,594)	(1,594)
Balance as at 31 December 2019	100	103	10,196	10,399
Profit for the year after taxation	-	-	1,283	1,283
Balance as at 31 December 2020	100	103	11,479	11,682

Notes to the Financial Statements

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, except for equity investments that are carried at fair value through profit and loss, in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006.

The going concern basis of preparation is an area of judgement. Given the ongoing Covid-19 pandemic and the resulting economic conditions the level of uncertainty around this judgement remains higher in the current environment.

The Company has risen to the operational and market challenges presented by Covid-19 throughout 2020. The Company's balance sheet is robust. Revenue and operational earnings remain resilient. The Company has responded well to the impacts from Covid-19 on operations, customers, colleagues and communities. The Directors are closely monitoring short and medium-term Covid-19 related factors, including employee and supplier-related issues.

The Directors have also considered specific Covid-19 stress scenarios at the overall UK Group level, which includes the impact of a further shock to equity markets and reduction in income along with possible management actions in response. Under these stress scenarios the Company's capital was projected to remain above regulatory requirements and sufficient liquidity existed to meet liabilities as they fall due.

In the remote scenario that Management actions do not complete and thereby Management is unable to deliver any mitigating actions the Company has the support and access to financial resources of its ultimate UK parent. This ready access to financial resources, is sufficient for the Company to meet its obligations for a period of 12 months from the date of approval of the financial statements.

In order to support this position the Sanlam UK Group has produced capital forecasts that have been sensitised to reflect plausible downside scenarios and management action that include among other factors the impact of the Covid-19 pandemic and its impact on the global economy, which have been reviewed by its Board. Although the strategic plan reflects the best estimate of the future prospects of the Group, the potential impact on the Group of a number of scenarios over and above those included in the plan have been developed by quantifying their financial impact and overlaying this on the detailed capital forecasts. These scenarios, which are based on aspects of principal risks represent 'severe but plausible' circumstances. The results of this reverse stress testing showed that, due to the stability of the core business, the Group would be able to withstand the impact of these scenarios occurring over the period of the financial forecasts by making adjustments to its operating plans within the normal course of business.

Notes to the Financial Statements (continued)

1. Accounting policies

Basis of preparation (continued)

Having considered these matters and after making appropriate enquiries, the Directors are satisfied that the Company has adequate resources to continue to operate as a going concern for a period of 12 months from date of approval of the financial statements. For this reason, they consider it appropriate to continue to adopt the going concern basis in preparing the financial statements. The directors have also concluded that there are no material uncertainties to the Company's ability to adopt the going concern basis of accounting.

Revenue

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised.

Turnover

Management fees and transactional revenue are the amounts received by the Company for the investment management services which it provides. Management fees and transactional revenue are accounted for on the accruals basis.

Inter-group recharges represent fees for services provided by the Company to Sanlam Securities UK Limited. It is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes, accounted for on an accruals basis.

Interest income

Interest income is recognised as it accrues using the effective interest method.

Administrative expenses

Administrative expenses principally represent amounts invoiced and incurred in respect of staff resources and general overheads to facilitate the administration of the Company. Amounts expensed are based on actual costs incurred or on predetermined recharges of allocated resources.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account deferred taxation. Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the taxation computation. A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Sanlam Private Investments (UK) Ltd

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are calculated at the tax rates enacted or substantively enacted at the time of issuance of these financial statements. Deferred tax assets and liabilities are not discounted.

Functional and presentational currency

The functional and presentational currency is the Pound Sterling reflecting the fact that substantially all revenue is received in UK Sterling (GBP) and the Company's place of business is the United Kingdom.

Rounding

All amounts are presented in thousands (£'000) except where otherwise disclosed.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the Profit & Loss Account.

Consolidation

Consolidated financial statements are not presented as the Company has availed itself of the exemption provisions under s401 of the Companies Act 2006.

Tangible assets and depreciation

The cost of tangible fixed assets is depreciated on the straight line basis over their expected useful lives at the following annual rates:

	%
Motor vehicles	25
Office furniture	25
Computer equipment	33
Leasehold improvements	Over length of lease

Fixed asset investments

The investment in subsidiary is stated at cost less any provisions for impairment. Where the recoverable amount of the investment is less than the carrying amount, an impairment is recognised.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Equity investments

Equity investments are recognised initially at fair value, which is normally the transaction price. Subsequently, they are measured at fair value through the Profit and Loss Account except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably. These equity investments are stated at cost less impairment unless a reliable measure of fair value becomes available.

In accordance with FRS 102, the Company has established a framework for measuring fair value in accordance with generally accepted accounting principles. FRS 102 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date. FRS 102 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable.

In accordance with FRS 102, these inputs are summarised in the three broad levels listed below:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Client bank balances

Amounts held for clients in separately designated client bank accounts, in accordance with the FCA client money rules, do not form part of the Company's funds and are not included in these accounts.

Pension costs

The cost of providing retirement pensions under the money purchase scheme is charged against profit as the contributions are payable to the schemes.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. In the case of operating leases relating to land and buildings, where a rent-free period or other incentive is included in the lease, the costs of the lease are charged on a straight line basis over the term including the rent-free period. The costs comprise the total amounts payable less incentives received.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Provisions for liabilities and charges

Provisions are recognised when there is a legal or constructive obligation as a result of a past event and it is probable that a payment will be required to settle this obligation.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Cash flow statement

The Company has taken advantage of the exemption given by FRS 102 1.12 (b) to subsidiary undertakings, where the Company is a member of a group where the parent prepares publicly available consolidated financial statements. A cash flow statement is prepared by the ultimate parent company that includes the cash flows of the Company. Details of the ultimate parent company are given in note 22 to the financial statements.

Share based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments granted at the date at which they were granted and is recognised as an expense over the vesting period. The value of options granted depends on the growth of value in the parent company as determined by management's best estimate. At each Balance Sheet date the movement in cumulative expenses since the previous Balance Sheet is recognised in the Profit and Loss Account with a corresponding entry in the parent company's equity.

Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affected the reported amount of assets and liabilities as well as the disclosure of contingent assets and liabilities at the period end date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Critical accounting judgements

The directors do not believe the Company has any critical accounting judgements in producing these financial statements. The directors consider the following to be key sources of estimation uncertainty:

Measurement of the recoverable amount of debtors

A provision for impairment of trade debtors is established when there is no objective evidence that the Company will be able to collect all amounts due according to the original terms. The Company considers factors such as default or delinquency in payment, significant financial difficulties of the debtor and the probability that the debtor will enter bankruptcy in deciding whether the loan is impaired.

Measurement of provisions

Dilapidations Provisions

The dilapidations provisions are based on the terms of the individual lease agreements.

Complaints settlement provision

This provision covers direct and associated costs in respect of complaints where the exact quantum and number of complaints is unknown at the balance sheet date. The estimate is based upon past experience of upheld complaints and their average values. This estimate is updated when the individual complaint values are separately clarified. In determining the provision, management consider a number of factors including monitoring the number of complaints received.

Sanlam Private Investments (UK) Ltd

Notes to the Financial Statements (continued)

2. Revenue

	2020	2019
	£000	£000
Management fees	21,433	21,394
Transactional Revenue	6,136	4,116
Inter-group recharge	264	264
	<u>27,833</u>	<u>25,775</u>

Included within management fees revenue is £3,117k (2019: £4,196k) in relation to client financial adviser and introducer fees processed by the Company. A corresponding expense of £3,157k (2019: £4,157k) is recognised within administrative expenses.

All revenue was generated in the UK.

3. Operating profit/(loss)

Operating profit/(loss) is arrived at after charging:

	2020	2019
	£000	£000
Auditor's remuneration:		
Audit Fees	155	59
Other assurance services	65	44
Depreciation of tangible fixed assets	413	180
Operating lease rentals:		
Buildings	812	830
Other	-	2

4. Employees

All staff within the Group are employed centrally by Sanlam UK Limited for administrative convenience. The cost of staff working for the other Group company, Sanlam Securities UK Limited, is recharged from the Company. The staff numbers and costs shown below are net of the amounts recharged.

The average number of persons (including directors) employed by the Company during the year was 93 (2019: 134). All the staff were professional or secretarial.

Notes to the Financial Statements (continued)

4. Employees (continued)

The total staff costs (including directors' emoluments) during the year were:

	2020	2019
	£000	£000
Wages and salaries	6,123	7,175
Social security costs	569	573
Pension costs	315	340
Redundancy costs	35	356
	<u>7,042</u>	<u>8,444</u>

5. Emoluments of directors

The directors emoluments are based upon an agreed apportionment of directors costs across the businesses in which they perform their services as a director.

Directors' emoluments include the following:	2020	2019
	£	£
- Directors' remuneration	481,365	416,728
- Bonuses	-	32,000
- Pension contributions	20,550	22,385
- Compensation payments for loss of office	-	48,101
- Other benefits	1,976	2,625
- Long term incentives	171,681	-

The directors of the Company are also directors of Sanlam UK Limited and fellow associates, except for C Roothman who is only a director of the Company. The directors received total remuneration for the year of £503,891 (2019: £521,839), all of which was paid by either Sanlam UK Limited or the Company. The directors believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of Sanlam UK Limited and the Company and fellow associate companies. Directors' remuneration includes salary and performance bonuses. Three directors (2019: three) are members of the long-term incentive scheme. Two directors (2019: nil) exercised options over shares in the year in relation to the Sanlam UK LTIP scheme. The remuneration for the highest paid director was £167,863 (2019: £171,575). The highest paid director is a member of the long-term incentive scheme. The highest paid director did exercise options over shares in the year. No other benefits were due to the highest paid director.

6. Other income	2020	2019
	£000	£000
Interest receivable	4	16
Profit on disposal of fixed assets	-	17
	<u>4</u>	<u>33</u>

Sanlam Private Investments (UK) Ltd

Notes to the Financial Statements (continued)

7. Interest payable and similar charges

	2020	2019
	£000	£000
Loss on disposal of investment mandates	(466)	(140)
	<u>(466)</u>	<u>(140)</u>

8. Tax on profit/(loss) on ordinary activities

Analysis of tax charge in period		
	2020	2019
	£000	£000
Current Tax		
UK corporation tax on profit/(loss) for the year	74	-
Adjustments in respect of prior periods	(15)	10
Total current tax	<u>59</u>	<u>10</u>
Deferred Tax		
Origination and reversal of timing differences	143	(120)
Adjustments in respect of prior periods	6	(14)
Effect of change in tax rates	(28)	32
Total deferred tax	<u>121</u>	<u>(102)</u>
Tax charge/(credit) for the year	<u>180</u>	<u>(92)</u>

The adjustments to current tax in respect of a prior period represents a carry back of losses suffered in 2019 to a prior period.

Reconciliation of tax charge

The difference between the tax assessed for the period and the standard rate of corporation tax is explained as follows:

	2020	2019
	£000	£000
Profit/(loss) on ordinary activities before taxation	<u>1,463</u>	<u>(1,686)</u>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	278	(320)
Effects of:		
Expenses not deductible for tax purposes	74	17
Adjustments in respect of prior years	(9)	(4)
Deferred tax not recognised	(135)	183
Re-measurement of deferred tax – change in UK tax rate	(28)	32
Tax charge/(credit)	<u>180</u>	<u>(92)</u>

Notes to the Financial Statements (continued)

8. Tax on profit/(loss) on ordinary activities (continued)

The UK corporation tax rate decreased from 20% to 19% from 1 April 2017. The Finance Bill 2016 reduced the rate of corporation tax to 17% from 1 April 2020 and having been substantively enacted was the rate of tax used to recognise deferred tax for the year ending 31 December 2019. On 12 March 2020, the Chancellor announced that the planned reduction in corporation tax to 17% would not proceed and this was subsequently substantively enacted maintaining the rate of corporation tax at 19%.

On 3 March 2021, the Chancellor announced that the main rate of UK corporation tax would rise to 25% from 1 April 2023. Given that this change had not been enacted (or substantively enacted) at the period end date, it has not been reflected. The impact of this change is not expected to be material, estimated to equate to a £25,000 increase in the deferred tax asset recognised at the period end date.

9. Tangible assets

	Office Furniture	Computer Equipment	Motor Vehicles	Leasehold Improvements	Total
<u>Cost</u>	£000	£000	£000	£000	£000
At 1 January 2020	2,003	1,521	29	20	3,573
Additions	469	2	-	402	873
At 31 December 2020	2,472	1,523	29	422	4,446
<u>Depreciation</u>					
At 1 January 2020	1,288	1,446	29	13	2,776
Charge for the year	282	43	-	88	413
At 31 December 2020	1,570	1,489	29	101	3,189
<u>Net Book Value</u>					
At 31 December 2020	902	34	-	321	1,257
At 31 December 2019	715	75	-	7	797

Sanlam Private Investments (UK) Ltd

Notes to the Financial Statements (continued)

10. Fixed asset investments

	2020	2019
	£	£
Investment in subsidiary undertaking at cost at start and end of year	1	1

The Company owns the entire issued share capital (1 ordinary share of £1) of Principal Nominees Limited, a Company incorporated in England & Wales. The registered office of Principal Nominees Limited is 24 Monument Street, London, England, EC3R 8AJ. The activities of this Company include the nominee holding of securities for certain clients of the Company. Principal Nominees Limited did not receive income nor incur costs in relation to its activities and its capital and reserves remain at £1.

11. Debtors: amounts falling due within one year

	2020	2019
	£000	£000
Amounts due from parent company	7,351	7,350
Amounts due from group companies	2,130	2,904
Other debtors	3,683	405
Prepayments and accrued income	4,491	5,506
Deferred tax asset (see note 15)	34	-
Corporation tax	-	457
	<u>17,689</u>	<u>16,622</u>

12. Equity investments held at fair value through profit and loss

	2020	2019
	£000	£000
Quoted investments listed on the London Stock Exchange	<u>1,395</u>	<u>14</u>

The Company's portfolio of investments are listed investments recognised on the London Stock Exchange. As such, the Company considers these investments to be level 1 investments. There were no transfers into and out of levels 1, 2, nor 3 for the year ended 31 December 2020 nor for the year ended 31 December 2019.

Investments held are part of the client money and asset settlement process with the intention of holding unsold equities until they can be settled. Any gains or losses on the sale of equities are recognised along with trading errors in a facilitation account. The Company recognised a loss of £466k (2019: £140k) in the income statement.

The investments are held at fair value as at the balance sheet date.

Sanlam Private Investments (UK) Ltd

Notes to the Financial Statements (continued)

13. Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Amounts due to parent company	2,505	33
Amounts due to group companies	8,784	5,677
Other taxation and social security costs	83	30
Corporation tax	65	-
Other creditors and accruals	4,657	5,647
	<u>16,094</u>	<u>11,387</u>

Within other creditors and accruals is an amount of £27k which represents tax not withheld in connection with the vesting of overseas share awards held by a small number of internationally mobile employees. The matter was disclosed to HMRC in 2020 and will be settled in full in 2021.

14. Debtors: amounts falling due after one year

	2020	2019
	£000	£000
Deferred tax asset (see note 15)	39	194
	<u>39</u>	<u>194</u>

15. Deferred tax asset/(liability)

The provision for deferred tax consists of the following deferred tax assets/(liabilities):

	2020	2019
	£000	£000
Shortfall of depreciation over cumulative tax allowances	(23)	(38)
Losses to be utilised in future years	46	183
Provisions to be released in future years	50	49
	<u>73</u>	<u>194</u>

It is expected that £34,000 as disclosed in note 11 of this net asset will unwind within in the next 12 months as carried forward losses are utilised and fixed asset timing differences reduce.

The company has recognised a deferred tax asset in respect of only 50% of the balance carried forward of pre April 2017 losses of £488,873 (2019: £560,376) at the period end date owing to the restrictions imposed on the use of carried forward losses incurred post April 2017. It is not expected that any losses or other timing difference will expire.

Notes to the Financial Statements (continued)

16. Provisions for liabilities

	Complaints £000	Dilapidations £000	Total £000
Balance as at 1 January 2020	50	286	336
Amount utilised within the year	-	(126)	(126)
Amounts charged for the year	-	5	5
Balance as at 31 December 2020	<u>50</u>	<u>165</u>	<u>215</u>

The dilapidations provision represents the potential cost for the lease obligation for the repair work at four (2019: six) offices. This cost of the lease obligation may be payable at the date of the expiry of the leases, which is June 2022 for Harrogate, June 2023 for Teesside, December 2022 for Tunbridge Wells and September and November 2025 for the London office.

The complaints provision represents the excess on the professional indemnity insurance policy held by the Company that is expected to be utilised within one year.

17. Called up share capital

	2020		2019	
	Authorised	Allotted, Called Up and Fully Paid	Authorised	Allotted, Called Up and Fully Paid
	£000	£000	£000	£000
100,000 Ordinary Shares of £1 each	100	100	100	100

18. Movement in reserves

	Capital Redemption Reserve	Profit and Loss Account
	£000	£000
Balance as at 1 January 2020	103	10,196
Profit for the year after taxation	-	1,283
Balance as at 31 December 2020	<u>103</u>	<u>11,479</u>

Notes to the Financial Statements (continued)

19. Shareholders' funds

	2020 £000	2019 £000
Opening shareholders' funds	10,399	11,993
Profit/(loss) for the year on ordinary activities after taxation	1,283	(1,594)
Closing shareholders' funds	<u>11,682</u>	<u>10,399</u>

20. Lease obligations

The following are aggregate commitments under operating leases as at 31 December:

	2020 Land and Buildings £000	2019 Land and Buildings £000
Within one year	1,184	1,162
Between one and five years	4,211	4,538
Over five years	-	864
	<u>5,395</u>	<u>6,564</u>

	2020 Office Equipment £000	2019 Office Equipment £000
Within one year	-	2
	<u>-</u>	<u>2</u>

Notes to the Financial Statements (continued)

21. Pension costs

The Group operates money purchase pension schemes for eligible employees, including an executive pension scheme for senior management, with the assets of the schemes being held separately from those of the Group in trustee administered funds. Contributions to these schemes are charged against profits as the contributions are committed. There are no outstanding or prepaid contributions at the year end (2019: none). The total pension cost for the year for the Company is shown in note 4.

22. Ultimate parent company

The Company's immediate parent company is Sanlam Private Investments (UK) Holdings Limited which is incorporated and registered in the United Kingdom. The Company's ultimate parent company is Sanlam Limited which is incorporated and registered in South Africa and is the parent of the only group of undertakings for which group financial statements are drawn up and of which the Company is a member.

Copies of the Group financial statements are available on request from Sanlam Limited, 2 Strand Road, Bellville, South Africa (PO Box 1, Sanlam of, 7532, South Africa). Group financial statements may also be viewed on the ultimate parent company's website: www.Sanlam.co.za.

23. Related party disclosure

At 31 December 2020, £652k (2019: £1,259k) was due from Sanlam Asset Management (Ireland) Limited in relation to management fees. The Company earned management fees of £2,509k (2019: £2,268k) from investment management agreements with Sanlam Asset Management (Ireland) Limited. An amount of £3,116k was paid to the Company during the year (2019: £1,477k).

At 31 December 2020, fees amounting to £252k (2019: £723k) were owed to Sanlam Private Investments (Pty) Limited. The Company incurred fees of £1,082k relating to revenue share agreements with Sanlam Private Investments (Pty) Limited (2019: £1,323k). An amount of £1,553k was paid to Sanlam Private Investments (Pty) Limited during the year (2019: £770k).

At 31 December 2020, £5,218k (2019: £3,448k) was due to Sanlam Securities UK Limited. Of this balance, £1,430k (2019: £895k) was due as a result of commission trading through clients in Sanlam Private Wealth (Pty) Ltd. The Company recharged employment costs of £198k (2019: £206k) for staff providing services, £264k (2019: £264k) for the costs of providing central services and £59k (2019: £Nil) for other expenses paid by the Company on behalf of Sanlam Securities UK Limited during the year. An amount of £861k was paid to the Company during the year (2019: £322k).

Notes to the Financial Statements (continued)

23. Related party disclosure (continued)

At 31 December 2020, £3,314k was due to Sanlam Private Wealth South Limited (2019: £532k was due from). Of this balance, £1,923k was due to the Company in relation to payroll costs and £1,331k was due to the Company in relation to other expenses paid by the Company on behalf of Sanlam Private Wealth South Limited during the year. £6,321k was due to the Sanlam Private Wealth South Limited in relation to recurring fees settled through the Company. An amount of £779k was paid to the Company during the year (2019: £Nil).

At 31 December 2020, the Company was due £7,351k from Sanlam Private Investments (UK) Holdings Ltd (2019: £7,350k). An amount of £1k was paid to Sanlam Private Investments (UK) Holdings Ltd during the year (2019: £Nil).

At 31 December 2020, £1,905k (2019: £33k) was due to Sanlam UK Limited in addition to a loan balance of £600k (2019: £Nil). The transactions with Sanlam UK Limited during the year relate to a distribution fee payable to Sanlam UK Limited for the introduction of clients of £728k (2019: £547k), other expenses payable to Sanlam UK Limited of £3,379k (2019: £1,081k) and payroll expenses payable to Sanlam UK Limited of £1,133k (2019: £2,755k). An amount of £3,368k was paid to Sanlam UK Limited (2019: £4,500k) whilst an intercompany loan was issued by Sanlam UK Limited of £600k (2019: £Nil).

At 31 December 2020, £838k was due from Sanlam Life & Pensions UK Limited (2019: £292k was due to). Sanlam Life & Pensions UK Limited paid net expenses of £106k (2019: £426k) on behalf of the Company during the year. An amount of £1,236k was paid to Sanlam Life & Pensions UK Limited during the year (2019: £Nil).

At 31 December 2020, £434k was due from Sanlam Investments UK Limited (2019: £1,214k was due to). Of the balance, £600k (2019: £500k) was due to Sanlam Investments UK Limited for discretionary investment management services. Sanlam Investments UK Limited paid net administrative expenses of £388k (2019: £589k). An amount of £2,636k was paid to Sanlam Investments UK Limited during the year (2019: £Nil).

At 31 December 2020, the Company was due £112k (2019: £779k) from Sanlam Wealth Planning UK Limited. The Company paid net expenses of £264k on behalf of the Sanlam Wealth Planning UK Limited during the year (2019: £366k). An amount of £931k was paid to the Company during the year (2019: £Nil).

At 31 December 2020, the Company was due £74k (2019: £286k) from English Mutual Limited. The Company paid net administrative expenses of £216k (2019: £67k) on behalf of English Mutual Limited. An amount of £428k was paid to the Company in the year (2019: £Nil).

At 31 December 2020, £20k (2019: £48k) was due from Sanlam Partnerships Limited. The Company paid net expenses of £76k (2019: £48k) on behalf of Sanlam Partnerships Limited during the year. An amount of £104k was paid to the Company during the year (2019: £Nil).

Notes to the Financial Statements (continued)

24. Share based payments

The Company has granted share awards to various employees through a Joint Share Ownership Plan (JSOP) and will make further awards in future years. There are vesting points over a five year period, subject to the satisfaction of market-related performance conditions. In accordance with FRS 102.26 "Share-based Payments", the fair value of the options granted and not yet exercised is expensed over the vesting period, based on a binomial model valuation. This has been viewed as the most appropriate valuation method for shares in an unlisted company. The model for the first group of options assumes risk-free rates of 0.5-5%, expected volatilities of 22-30% and expected dividend yields of 1-2%. The average value per share award was £2.66 per share. The model for the second group of share awards assumes risk-free rates of 0.75-1.4%, expected volatilities of 19% and expected dividend yield of 1%. The average value per share award was £1.94 per share. The Company has not incurred a share-based payment credit in the year (2019: £nil) in respect of these awards.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2020 No.	2020 WAEP	2019 No.	2019 WAEP
Outstanding as at 1 January	-	£2.30	14,476	£2.30
Forfeited during the year	-	£2.30	-	£2.30
Exercised	-	£2.30	(14,476)	£2.30
Outstanding at 31 December	-	£2.30	-	£2.30
Exercisable at 31 December	-	£2.30	-	£2.30

25. Contingent liabilities

During an ongoing review of the Company's operational tax reporting, management identified that the Company's status as a UK Qualified Intermediary with the US Internal Revenue Service ("IRS") had lapsed. Consequently, the Company, by default, has become a Non-Qualified Intermediary which has a number of operational issues and means that the simplified, aggregated reporting to the IRS is not permitted. This is also impacting on the contractual arrangements with custodians who have implemented stricter guidelines and restrictions around transactional processes.

The directors have engaged advisers to assist in the communication and rectification with the IRS and anticipate that the Company will be reauthorized within three months. Whilst the directors are confident that the tax settled with the IRS is materially correct there is currently no certainty on whether there will be any further actions nor what they might be. At the point of approval of the financial statements, the directors do not believe that it is possible to estimate the cost implications of any further actions the IRS may take.