ANNUAL REPORT AND FINANCIAL STATEMENTS

HERMES EUROPEAN EQUITIES LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2019

Registered No. 06630546

HERMES EUROPEAN EQUITIES LIMITED

STRATEGIC REPORT

Hermes European Equities Limited (the "Company") is a wholly owned subsidiary of Hermes Fund Managers Limited ("HFML") and operates as a part of the Hermes Group (the "Group"). The Company is regulated by the Financial Conduct Authority ("FCA").

The principal activity of the Company has historically been the provision of investment management services to a number segregated institutional clients and the management of two UCITS funds, with a primary focus on European equities. However, following a significant number of client redemptions during the year, the directors have taken the decision to wind down the operations of the Company. The Company's remaining investment mandates have all been transferred to a fellow subsidiary of the Group with the final mandate having been novated in April 2020. Having completed this novation process, the directors intend to de-register the Company from the FCA before commencing an orderly wind down of the Company. The directors expect to conclude the liquidation of the Company within the next 12 months.

The Company's turnover for the year ended 31 December 2019 has dropped to £4.8m (2018: £8.1m) as a result of the significant client redemptions experienced during the year. This also resulted in a corresponding decrease in profitability to £0.2m for the year ended 31 December 2019 (2018: £2.1m).

Despite the decrease in the scope of the Company's operations, the Company has retained a robust net asset position of £2.4m (2018: £5.8m) and has continued to retain a surplus of its regulatory capital requirements. The decrease in net assets during the year is predominantly due to a dividend of £3.9m (2018: £nil) that was declared and paid during the year. The directors do not propose a final dividend with respect to the year ended 31 December 2019.
The Group manages its operations on a group basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group, which includes the Company, is discussed in the HFML Annual Report which does not form part of this report, but is publicly available online at the following web address: https://www.hermes-investment.com

The Company manages capital adequacy with reference to the Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by HFML, as required by the FCA. Further details of HFML's approach to capital adequacy are to be found in the HFML financial statements, which can be obtained from the Group's Registered Office, Sixth Floor, 150 Cheapside, London, England, EC2V 6ET or in the Group's disclosures, as required under Pillar III of the Capital Requirements Directive, which are to be found at the following website address:

https://www.hermes-investment.com/ukw/about-us/policies-and-disclosures/

Principal risks and uncertainties

The Company is part of a group that has a comprehensive risk governance structure, group-wide policies and procedures, management reporting and controls in place to identify, mitigate and control risks. The HFML Board has documented and approved its risk appetite which contains both qualitative and quantitative measures. The HFML Board is ultimately responsible for the oversight of risk management within its subsidiary operating companies and for setting risk strategy and periodically reviewing the risk exposure and tolerances, including operational risk, counterparty credit risk and investment risk aspects. The HFML Board has delegated oversight of day-to-day risk and control matters primarily to the HFML

HERMES EUROPEAN EQUITIES LIMITED

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Risk and Compliance Committee, HFML Audit Committee and the Executive Committee. Group risks are discussed in HFML's Annual Report which does not form part of this report.

As a result of the factors above, the risks to which the Company is exposed are managed from a Group perspective rather than on an individual entity basis. The overall risks of the Group and the Group's response to these risks are disclosed in the Group's Annual Report and Accounts. The processes adopted for the management of these risks are also applicable to the Company.

Going forward, the risk and uncertainties to which the Company will be exposed are expected to be significantly reduced on the basis that the Company plans to cease trading following the successful novation of its last remaining client and the proposed orderly wind down on the business (as described above). Given that the novation is expected to occur in the near term, the directors no longer consider that the Company has any significant exposure to any investment performance risks that are relevant to other entities in the Group and consider that the principal risks and uncertainties facing the Company during the wind down period are limited to:

- Financial risks - the Company has financial instruments including debtors, creditors, investments and cash. These mostly arise from the Company's operations. The Company has policies in place for identifying and controlling the risks associated with such instruments. These risks include credit risk, foreign exchange risk, liquidity risk and interest rate risk. Bearing in mind the nature of the exposure to financial instruments within the Company and the limited risks associated with them, the directors are satisfied that there is adequate control of these risks.

- Operational risk – this represents the risk of loss or unintended gain arising from inadequate or failed internal processes, or from personnel and systems, or from external events. The Company has a robust risk management framework, established risk governance arrangements and effective risk management processes to ensure appropriate challenge and oversight of operational risk exposures and continued effectiveness of controls in the context of risk appetite.

Environment
The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with the Group's policies, which are described in the Group financial statements which do not form part of this Report. Initiatives designed to minimise the Company's impact on the environment include recycling and reducing energy consumption.

This report was approved by the Board of Directors and signed on behalf of the Board by:

I Kennedy
Director
22 April 2020

HERMES EUROPEAN EQUITIES LIMITED

DIRECTORS' REPORT

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

Directors:	J Rutherford (resigned 7 May 2019) A Parry (resigned 7 May 2019) S Nusseibeh I Kennedy C Taylor G Clarke (deceased 1 March 2020) H Steel E Murray (appointed 24 October 2019)

Unless otherwise stated above, each of the directors served for the full year ended 31 December 2019 and up to the date of this report

Secretary:	Hermes Secretariat Limited
Registered Office:	Sixth Floor, 150 Cheapside, London, EC2V 6ET
Registered Number:	06630546

Going concern

Whilst the Company generated a profit for the year ended 31 December 2019 and retains a robust capital adequacy position, for the reasons explained in the Strategic Report, the directors have taken the decision to seek an orderly wind down of the Company's operations. Having novated the Company's final investment mandate to a fellow subsidiary of the Group in April 2020, the directors expect that the Company will enter a voluntary liquidation process following the de-registration of the Company from the FCA. The directors currently expect this process to be completed within the next 12 months from the date of this report with all surplus assets remaining in the Company at the point of liquidation being distributed to the Company's parent entity ("HFML").

As the Company has now novated all remaining investment mandates to a fellow subsidiary of the Group, the directors do not expect the Company to generate any further revenue prior to liquidation. In addition, the vast majority of the Company's costs are an internal allocation from the Company's parent company with no significant third party overheads. As a result, the directors believe that the Company's exposure to the financial effects of the Coronavirus outbreak is limited.

Due the reduced activities of the Company, the directors are confident that the Company's existing assets will be sufficient to cover any financial obligations that arise prior to the Company being put into voluntary liquidation. However, in the event that the Company has insufficient liquidity to meet its financial obligations, the parent company has committed to provide financial support to the Company for the foreseeable future.

Given that the directors expect that the Company will complete a voluntary liquidation process within the next 12 months, and based on the assessment that the Company has sufficient assets (combined with the commitment from its parent company) to meet its remaining liabilities, the directors have determined that it is appropriate to prepare the financial statements of the Company on an "other than going concern" basis.

HERMES EUROPEAN EQUITIES LIMITED

DIRECTORS' REPORT

Going concern (concern)

As a result, all of the Company's assets have been stated at their net recoverable amount in the financial statements. Please refer to Note 1 to the financial statements for further details of the accounting policies adopted.

Directors' indemnities

Qualifying third-party indemnity provisions, which were in force throughout the year for the benefit of the Company's directors, remain in force at the date of this report.

Employees

The Company has no employees as all staff are contractually employed by HFML. The salary costs associated with the services that HFML employees provide to the Company are recharged from HFML to the Company. The Group has policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters.

Subsequent events

There were no subsequent events material to the financial statements from the balance sheet date, 31 December 2019, to the date of approval of the financial statements, 22 April 2020.

Statement on disclosure of Information to Auditor

The directors, having made enquiries to fellow directors, can confirm that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all reasonable steps they ought to have taken as directors in order 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 section 418 of the Companies Act 2006.

The Audit Committee reappointed Ernst & Young LLP as auditors to the Company for the year ending 31 December 2019.

This report was approved by the Board of Directors and signed on behalf of the Board by:

I Kennedy
Director

22 April 2020

HERMES EUROPEAN EQUITIES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use 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; and
- for the reasons stated in Director's Report and note 1a, the financial statements have not been prepared on a going concern basis.

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

HERMES EUROPEAN EQUITIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERMES EUROPEAN EQUITIES LIMITED

We have audited the financial statements of Hermes European Equities Limited ("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 the related notes 1 to 14, 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 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 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 below. We are independent of the Company in accordance with the ethical requirements in the UK that are relevant to our audit of the financial statements, 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 a sufficient and appropriate basis for our opinion.

Emphasis of Matter - financial statements prepared on a basis other than going concern

We draw attention to note 1a in the financial statements which indicates that the directors intend to liquidate the Company on a voluntary basis within the next 12 months and, therefore, do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than Going Concern as described in note 1a.

Our opinion is not modified in respect of this matter.

Other information

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERMES EUROPEAN EQUITIES LIMITED

Other information (continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the 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 any material misstatements in the Strategic Report or the 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.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities 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, and for 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.

HERMES EUROPEAN EQUITIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERMES EUROPEAN EQUITIES LIMITED (CONTINUED)

Responsibilities of directors (continued)

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 they 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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

Matthew Price (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

22 April 2020

HERMES EUROPEAN EQUITIES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
TURNOVER	3	4,790,601	8,051,701
Fee and commission expenses	3	(56,143)	(204,977)
GROSS PROFIT		4,734,458	7,846,724
Administrative expenses	4	(4,494,212)	(5,701,967)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	240,246	2,144,757
Tax (charge) / credit on profit on ordinary activities	8	(48,641)	310,264
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		191,605	2,455,021

There is no other comprehensive income for the periods disclosed above. Accordingly, no statement of comprehensive income is presented.

All of the results are derived from continuing operations.

The notes on pages 12 to 25 form an integral part of these financial statements.

HERMES EUROPEAN EQUITIES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
CURRENT ASSETS			
Debtors	9	4,689,433	6,461,692
Cash at bank		97,354	377,324
		4,786,787	6,839,016
CREDITORS – amounts falling due within one year	10	(2,413,989)	(936,496)
NET CURRENT ASSETS		2,372,798	5,902,520
CREDITORS - amounts falling due after more than one year	10	-	(66,485)
NET ASSETS		2,372,798	5,836,035
CAPITAL AND RESERVES			
Called up share capital	11	499,511	499,511
Other reserves		285,453	-
Profit and loss account		1,587,834	5,336,524
SHAREHOLDER'S FUNDS		2,372,798	5,836,035

These financial statements were approved by the Board of Directors and authorised for issue on 22 April 2020.

The notes on pages 12 to 25 form an integral part of these financial statements.

These financial statements have been signed on behalf of the Board of Directors by:

I Kennedy
Director

Registered Company number: 06630546

HERMES EUROPEAN EQUITIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Other reserves	Profit and loss account	Total
	£	£	£	£
At 1 January 2018	499,511	-	2,881,503	3,381,014
Profit for the year	-	-	2,455,021	2,455,021
At 31 December 2018	499,511	-	5,336,524	5,836,035
Profit for the year	-	-	191,605	191,605
Costs attributable to awards made under the Group's long term incentive plan	-	285,453	-	285,453
Dividends	-	-	(3,940,295)	(3,940,295)
At 31 December 2019	499,511	285,453	1,587,834	2,372,798

The notes on pages 12 to 25 form an integral part of these financial statements.

HERMES EUROPEAN EQUITIES LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2019

1. ACCOUNTING POLICIES

The Company is incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 3. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 1 to 2.

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards, including Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The principal accounting policies adopted in the preparation of these financial statements are summarised below.

a) Accounting convention

As disclosed in the "Going Concern" section of the Directors' Report, following the novation of the Company's final client to a fellow subsidiary of the Group, the directors expect that the Company will enter a voluntary liquidation process once the process for the de-registration of the Company from the FCA has been completed. The directors currently expect the liquidation process to be completed within the next 12 months from the date of this report.

Further, due the reduced activities of the Company, the directors are confident that the Company's existing assets will be sufficient to cover any financial obligations that may arise prior to the Company being put into voluntary liquidation. However, in the event that the Company has insufficient liquidity to meet its financial obligations, the parent company has committed to provide financial support to the Company from the date of this report until liquidation.

As a result, the directors have opted to prepare the financial statements of the Company on a basis other than going concern.

Under this basis of preparation, all debtors of the Company have been stated at the net amount expected to be recoverable from the counterparty prior to the liquidation of the Company and all creditors have been stated at the amount expected to be required to settle each liability within this timeframe. Given the nature of the debtor and creditor balances held by the Company, this change in accounting policy has not necessitated any impairment or other adjustments to the debtor or creditor positions and no re-statements have been made to the prior period comparatives.

The directors consider that any incremental costs associated with the liquidation of the Company will be minimal and have not recognised any costs associated with the liquidation of the Company as at 31 December 2019.

All other accounting policies have been applied on a consistent basis throughout the current and preceding financial year with the exception of the policy on share based payments (as described in accounting policy 1g) below.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

HERMES EUROPEAN EQUITIES LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2019 (continued)

1. ACCOUNTING POLICIES (continued)

a) Accounting convention (continued)

The Company meets the definition of a qualifying entity under FRS 102 as it is fully consolidated into group accounts of HFML and these are publicly available. The Company has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to the disclosure of risk management information relating to the Company's financial instruments, presentation of a cash flow statement, disclosure of transactions between entities including common control as related parties, and remuneration of key management personnel.

b) Turnover

Turnover is recognised on an accrual's basis. Turnover from the supply of services represents the value of services provided under contracts and is recorded at the fair value of the consideration received or receivable net of VAT and rebates. To the extent that fees are recognised in advance of billing they are included as accrued income. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Commissions and related fees are payable to third parties for ongoing services under distribution agreements and are charged to the profit and loss account over the period in which the services are expected to be provided. To the extent that fees and commissions are recognised in advance of billing from third parties, they are included as accrued expense.

c) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Debt instruments that are classified as payable or receivable within one year on initial recognition are measured at the undiscounted amount of the cash or other consideration expected to be paid or received and, in the case of receivables, net of impairment.

Financial assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit or loss account as described below.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

HERMES EUROPEAN EQUITIES LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2019 (continued)

1. ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

Where indicators exist for a decrease in impairment loss, the prior impairment loss is assessed to determine whether a reversal can be objectively related to an event occurring after the impairment was recognised. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets and liabilities are only offset in the balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expired.

Debtor and creditor balances are classified as basic financial instruments and initially recognised at the transaction price. Debtors are measured at the directors best estimate of the amount that will be recovered from the counterparty prior to the liquidation of the Company. Creditors are measured on the basis of the amount expected to be required to settle the liability.

d) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

e) Administrative expenses and intra-group cost allocation

The majority of the costs of the Company are borne by its immediate parent, HFML. HFML acts as the paying agent for the Group's expenditure. The costs are allocated between the relevant entities in line with the Group's transfer pricing policy. The cost allocation to the Company and the other expenses of the Company is recognised on an accrual basis.

HERMES EUROPEAN EQUITIES LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2019 (continued)

1. ACCOUNTING POLICIES (continued)

f) Bonus costs

Employee bonuses are recognised on an accrual's basis in the financial statements where the bonus award is attributable to employee service and performance delivered prior to the year end. Where bonuses are deferred for payment in the future (subject to each employee's continued compliance with pre-defined vesting conditions), the value of these deferred amounts is recognised as an expense on a straight-line accrual basis over the vesting period. Where deferred awards are subject to co-investment arrangements, the incremental increase (or decrease) in the value of the award is recognised each year.

The Company has no employees as all employees are contractually employed by the HFML (the Company's parent undertaking). However, where an employee is deemed to provide services directly to the Company, all employee costs (including bonus costs) relating to the provision of these services are allocated to the Company by HFML. As a result, bonus costs are recognised in administrative expenses within the Company's profit and loss account.

g) Share based payment

The Group operates long-term incentive plan ("LTIP") that awards restricted stock units of up to 10.5% of the shares of HFML (the Company's parent undertaking) to senior management and is designed to encourage profitable growth. The LTIP is an equity settled share-based payment scheme.

The Company has no employees as all employees are contractually employed by HFML (the Company's parent undertaking). However, where an employee is deemed to provide services directly to the Company, all employee costs relating to the provision of these services are allocated to the Company by HFML. Following a change to the Group's cost allocation model during the year, this is the first year in which share based payment related costs have been allocated to the Company from HFML. In the prior year, these costs were borne directly by HFML. Therefore, the amount recognised in the current year represents the allocation of both current and prior year share based payment costs to the Company.

The cost of equity-settled transactions is measured by reference to the fair value of the equity instruments of HFML at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

The fair value of the awarded restricted stock units at grant date was determined by an external valuation of HFML's shares. In valuing equity-settled transactions, no account is taken of any vesting conditions other than conditions linked to the price of the shares of HFML (market conditions).

HERMES EUROPEAN EQUITIES LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2019 (continued)

1. ACCOUNTING POLICIES (continued)

g) Share based payment (continued)

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and Hermes' management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity. No expense is recognised for awards that are not expected to vest.

h) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and expenditure denominated in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences are taken to the profit and loss account.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. UK Company law requires the directors, in preparing the financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent.

The preparation of these financial statements is in line with the policies adopted in the preparation of the financial statements of the Group. The estimates and assumptions made in the preparation of these financial statements based on historical experience and expectation of future events and are reviewed periodically. The actual outcome may be materially different from that anticipated.

In selecting the Company's accounting policies, the directors have determined that the Company the costs borne by the Company associated with the Group's Long Term Incentive Scheme should be accounted for as an Equity Settled Scheme (as defined by Section 26 of FRS 102) as opposed to a cash settled scheme. Please refer to accounting policy 1g for details of the accounting policy adopted as a result of this judgement.

The directors have not identified any other key areas of judgement in selecting the Company's accounting policies.

HERMES EUROPEAN EQUITIES LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2019 (continued)

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (continued)

The key sources of estimation uncertainty at the year-end that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

(i) Deferred tax asset

The ability of the Group to recognise a deferred tax asset in relation to taxable losses brought forward from prior year is limited to the extent that it is probable that the Group will generate sufficient taxable profits in the future against which these losses can be offset. The Hermes' Directors have prepared a profit forecast that provides their best estimate of the extent of profits that will be generated by the Group in the foreseeable future. The forecast adopts management's best estimate of the revenue and cost drivers that will impact the Group's future profitability. This estimation drives the size of the deferred tax asset recognised by the Group in respect of carried forward losses.

(ii) Group cost allocations

The Company has recognised an expense that reflects the proportion of the overall central overhead costs of the Group that are deemed to be attributable to the Company. These costs have been allocated based on the directors' best estimate of the proportion of the overall costs of the Group that have been consumed by the Company in the delivery of its services.

3. TURNOVER

Turnover comprises the value of services supplied in the UK by the Company and is exclusive of value added tax. Turnover, all of which is derived from UK activities, is analysed as follows:

	2019	**2018**
Investment management services:	**£**	**£**
- Management fees	4,790,601	8,051,701
	4,790,601	8,051,701

Fee and commission expenses represent amounts payable to third parties for ongoing services under distribution agreements. In 2019, the amount of fees and commissions recognised in the profit and loss account were £56,143 (2018: £204,977).

HERMES EUROPEAN EQUITIES LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2019 (continued)

4. ADMINISTRATIVE EXPENSES

Administrative expenses are analysed as follows:

	2019	**2018**
	£	**£**
Employee costs	1,672,509	1,960,258
Group cost allocation	1,579,451	2,218,006
Other administrative expenses	1,242,252	1,523,703
	4,494,212	5,701,967

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The Company's profit on ordinary activities before taxation is stated after charging the following:

	2019	**2018**
	£	**£**
Audit's remuneration - audit fees	21,477	15,550
Audit related assurance services	6,233	10,035
Foreign exchange loss	-	30,972
	27,710	56,557

6. DIRECTORS' REMUNERATION AND TRANSACTIONS

All five of the directors (2018: five) that served the Company during the year were employed by and provided services to other entities in the Group (in addition to the services that they provided as directors of the Company) Their total emoluments during the year were £6,477,311 (2018: £36,935,296). However, it is not considered practical to allocate a proportion of these overall emoluments to services provided as a director of the Company (relative to the services provided to the Group as a whole). As a result, none of these remuneration costs have been allocated to the Company.

Therefore, the director's remuneration disclosures shown below represent amounts paid to the directors by Hermes Fund Managers Limited in respect of services provided to the Group as a whole. These costs have not been borne directly by the Company and, therefore, are not included within the Companies profit and loss account.

HERMES EUROPEAN EQUITIES LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2019 (continued)

6. DIRECTORS' REMUNERATION AND TRANSACTIONS (continued)

	2019	2018
	£	£
Salaries and related benefits	6,445,182	7,683,569
Amounts earned (other than shares and share options) under long-term incentive schemes	469,705	29,127,263
Contributions to money purchase pension schemes	119,071	124,464
	7,033,958	36,935,296

The Group operates bonus deferral schemes whereby a portion of bonuses awarded to the directors during the year have been deferred. The full value of deferred awards granted to executive directors in respect of the year is £2,034,704 (2018: £2,075,000). The full value of this deferred award has been included as a component of the "Salary and related benefits" section of the table above. However, the awards will only become payable after the directors satisfy future service conditions and, therefore, the cost of these awards to the Group is recognised over the vesting period.

	2019	2018
The number of directors who:		
Are members of a money purchase pension scheme	7	7
Had rewards receivable in the form of shares under a long-term incentive scheme	1	6

	2019	2018
	£	£
Remuneration of highest paid director		
Emoluments	1,828,739	2,211,127
Company contributions to money purchase scheme	469,705	18,787
Amounts receivable under (other than shares and share options) long term incentive schemes	18,787	10,084,923
	2,317,231	12,314,837

HERMES EUROPEAN EQUITIES LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2019 (continued)

6. DIRECTORS' REMUNERATION AND TRANSACTIONS (continued)

An amount of £862,205 (2018: £2,235,068) is included in the "Emoluments" balance shown above and relates to amounts payable to the director under the Group's bonus deferral scheme. This balance represents the full value of the award and is deferred over a period of up to three years.

7. INFORMATION REGARDING EMPLOYEES

The average number of employees excluding directors employed by the Company during the year was nil (2018: nil) as all staff of the Group are contractually employed by Hermes Fund Managers Limited. Costs associated with the services provided by the employees of the Group to the Company are recharged to the Company and included in administrative expenses.

Employee costs allocated to the Company in this manner were as follows:

	2019	**2018**
	£	**£**
Wages and salaries	1,445,130	1,708,533
Social Security Costs	219,253	181,291
Pension Costs	8,125	70,434
	1,672,508	1,960,258

8. TAX CHARGE FOR THE YEAR

	2019	**2018**
	£	**£**
a) Analysis of tax charged / (credited) in the year:		
Current tax:		
UK corporation tax at 19.00% (PY: 19.00%)	34,540	-
Group relief payable / (receivable)	39,551	(394,562)
Total current tax charge	74,091	(394,562)
Deferred tax:		
Origination and reversal of timing differences	(25,450)	94,157
Adjustment in respect of prior periods	-	58
Effect of tax rate change on opening balance	-	(9,917)
Total deferred tax charge	(25,450)	84,298
Total tax charge on profit on ordinary activities	48,641	(310,264)

HERMES EUROPEAN EQUITIES LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2019 (continued)

8. TAX CHARGE FOR THE YEAR

b) Reconcilliation of current tax

The current tax charge in the year differs from that resulting from applying the average rate of corporation tax in the UK of 19.00% (2018: 19%).The differences are explained below:

	2019	2018
	£	£
Profit on ordinary activities before tax	240,246	2,144,757
Profit on ordinary activities multiplied by the average rate of corporation tax in the UK of 19.00%% (2018: 19.00%)	45,647	407,503
Non-taxable income:		
Non-deductible expenses	-	413
Transfer pricing adjustment	-	(708,321)
Adjustments in respect of prior periods	-	58
Effect of differences to deferred tax rates	2,994	(9,917)
Tax charge / (credit)	48,641	(310,264)

c) Provision for deferred tax asset

	Provided 2019 £	Unprovided 2019 £	Provided 2018 £	Unprovided 2019 £
Fixed asset timing differences	4,147	-	5,058	-
Short term timing differences	37,663	-	11,302	-
Total deferred tax asset	41,810	-	16,360	-

Deferred tax assets of £41,810 (2018: £16,360) have been recognised as at 31 December 2019 as it is expected that there will be sufficient taxable profits within the Company or the Group against which the future the reversal of the underlying timing differences can be offset.

On 11 March 2020, the Chancellor announced that the UK corporation tax rate will not be reduced from 19% to 17%, the substantively enacted rate at the balance sheet date, and will remain at 19%. If this change had been substantively enacted as at 31 December 2019, the Deferred Tax Asset of £42k would increase by £5k to £47k.

HERMES EUROPEAN EQUITIES LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2019 (continued)

9. DEBTORS

	2019	2018
	£	£
Trade debtors	124	11,016
Amounts owed from group undertakings	4,094,316	16,360
Deferred tax	41,810	4,896,229
Prepayments and accrued income	198,172	1,108,866
Recoverable VAT	-	34,659
Group relief receivable	355,011	394,562
	4,689,433	6,461,692

10. CREDITORS

CREDITORS – amounts falling due within one year

	2019	2018
	£	£
Accruals	1,349,764	864,500
Amounts owed to group undertakings	1,029,685	71,996
Corporation tax payable	34,540	-
	2,413,989	936,496

CREDITORS - amounts falling due after more than one year

	2019	2018
	£	£
Accruals	-	66,485
	-	66,485

HERMES EUROPEAN EQUITIES LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31 DECEMBER 2019 (continued)

11. CALLED UP SHARE CAPITAL

	2019	**2018**
Allotted, called-up and fully paid:	**£**	**£**
4,985,010 (2017: 4,985,010) Preferred shares of £0.10 each	498,501	498,501
100 (2017: 100) BTPS Preferred shares of £0.10 each	10	10
5,851 (2017: 5,851) Ordinary 'A' shares of £0.10 each	585	585
3,150 (2017: 3,150) Ordinary 'B' shares of £0.10 each	315	315
999 (2017: 999) Ordinary 'C' shares of £0.10 each	100	100
	499,511	499,511

Preferred shares

The £0.10 preferred shares are perpetual, non-cumulative preference shares. Subject to the discretion of the directors, preferred shares carry an entitlement to dividend at a rate of 5.5p per share per annum, payable in equal quarterly instalments. On a return of capital on liquidation, reduction of capital, or otherwise, the surplus assets of the Company remaining after the payment of liabilities shall be applied first to the holders of the preferred shares in the sum of £1 on each preferred share. There is no redemption date or voting rights.

BTPS Preferred Shares

Subject to the discretion of the directors, preferred shares carry an entitlement to dividend at an amount equal to the net profit attributable to funds managed by the Company for and on behalf of BTPS to the extent not already distributed to the shareholder. Should the Company not have sufficient distributable reserves to pay the full preferential dividends in any one-year, outstanding dividends shall accrue interest at a rate of 5.5% per annum until such amount can be paid. On a return of capital on liquidation, reduction of capital, or otherwise, the surplus assets of the

Company remaining after the payment of liabilities shall be applied second to the holders of the preferred shares (after payment to the holders of the preferred shares), in the sum of £1 on each preferred share. There is no redemption date.

11. CALLED UP SHARE CAPITAL (continued)

Ordinary shares

The ordinary A and B shares are shares which are held by HFML. These shares carry rights to any discretionary dividends and voting rights.

The ordinary C shares were created as a result of HFML acquiring the shares of a minority shareholder. The C shares carried the rights to receive discretionary dividends in preference to all other shareholders, including HFML. These rights have now ceased.

12. RELATED PARTIES

The Company is exempt from disclosing related party transactions with members of the Group under FRS 102 Section 33 Related Party Disclosures, as it is a wholly-owned subsidiary of the Group and all other subsidiary undertakings with which the Company has transacted during the year are also wholly-owned by a member of the Group. There are no other related party transactions.

13. CONTROLLING PARTY

The immediate parent undertaking of the Company is Hermes Fund Managers Limited. Hermes Fund Managers Limited is the parent of the smallest group which includes the Company, and for which consolidated financial statements are prepared.

Federated Hermes, Inc. formerly, Federated Investors, Inc. is the Group's ultimate parent undertaking and controlling party, it is also the parent of the largest group for which consolidated financial statements are prepared.

The accounts of Federated Hermes, Inc. can be obtained at its Registered Office at 1001 Liberty Avenue, Pittsburgh, PA 15222, United States of America.

The accounts of Hermes Fund Managers Limited can be obtained at its Registered Office, Sixth Floor, 150 Cheapside, London, England, EC2V 6ET.

14. SUBSEQUENT EVENTS

In April 2020 the Company successfully novated the investment mandate for its last remaining client to a fellow subsidiary of the Group. As a result, the Company is expected to cease trading and the directors intend to de-register the Company from the FCA.

The directors have considered the potential impact of COVID-19 on the Company's financial results and operations. However, as a result of the Company having novated all investment mandates to a fellow subsidiary, the financial impact of COVID-19 on the Company's future operations is expected to be limited.

14. SUBSEQUENT EVENTS (continued)

The directors have assessed the extent of capital that is expected to be required to meet any residual financial obligations of the Company prior to liquidation and have concluded that the Company has sufficient assets to meet these liabilities. However, the Company has also received a commitment of financial support from its parent company in the event that the Company has insufficient resources to meet these obligations as they fall due.

Whilst the Company has no direct employees, the well-being of the Group's staff that conduct activities on behalf of the Company is the Board's primary concern. As such business continuity procedures have been enacted requiring the temporary closure of the Group's offices and for staff to work from home.

There were no other subsequent events material to the financial statements from the balance sheet date, 31 December 2019, to the date of approval of the financial statements, 22 April 2020.