Tilney Group Limited

Annual report and financial statements for the year ended 31 December 2019

Registered number: 08741768

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About Tilney

Established as a stockbroking firm in 1836, Tilney has a rich heritage. While we are proud of our past, our approach to advising clients and managing their wealth is thoroughly modern and we have invested heavily in state-of-the-art technology to support the delivery of the highest standards of client service.

Today we have grown to become one of the UK's leading integrated private client investment and wealth management firms with over 1,200 staff, including 230 financial planners and 110 investment managers, who operate from 30 office locations across the UK. Over 100,000 clients have entrusted us to manage or advise them with £26.3 billion of their wealth.

We have a strong culture of professionalism and putting the interests of our clients first. Our guiding principle is to regard *our clients' personal wealth as our personal responsibility*. We therefore seek to build long-term, trusted relationships with our clients and their families that will last a life time and which can span multiple generations. As the needs of our clients change, we have the flexibility and breadth of services to adapt the ways we can support them, from helping them grow their wealth and preserve its real value, to accessing and enjoying it or passing it on tax-efficiently to the next generation.

Over 180
Years' of Experience

1,200+
Employees

230
Financial Planners

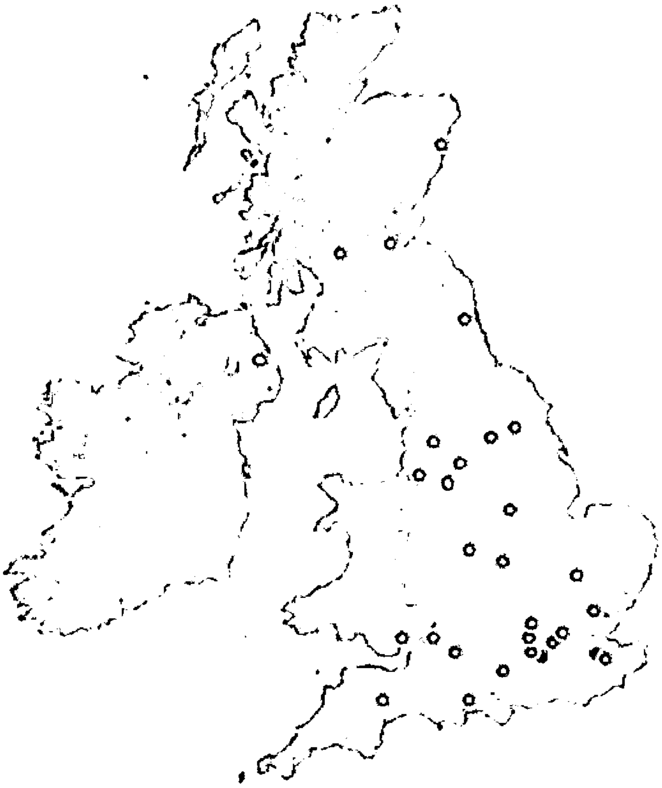
110
Investment Managers

30 offices
Across the United Kingdom

Over 100,000
clients' trust us with their wealth

£26.3bn
Assets Under Management

76%
Of AUM under Discretion



Our Recent Awards

Investors Chronicle FT
Investment and Wealth Management Awards 2019
Winner
Stockbroker of the Year
Tilney

Investors Chronicle FT
Investment and Wealth Management Awards 2019
Winner
Best Wealth Manager for Tax Services
Tilney

Investors Chronicle FT
Investment and Wealth Management Awards 2019
Winner
Best Execution-only Stockbroker
Bestinvest

Investors Chronicle FT
Investment and Wealth Management Awards 2019
Winner
Best Investment Platform
Bestinvest

AWARDS
WINNER 2019
Tilney

Shares Awards 2019
Winner of the
Best Advisory Service

Strategic Report

2019 Highlights

Assets under management increased by 14% to

£26.3bn

2018: £23.0bn

Revenue increased by 3% to

£235.4m

2018: £228.9m

Gross new business inflows increased by 17% to

£3.4bn

2018: £2.9bn

Net inflows increased by 20% to

£660m

2018: £549m

Adjusted EBITDA [1] decreased by 2% to

£85.6m

2018: £87.4m

Statutory operating profit decreased by 23% to

£17.7m

2018: £22.9m

(1) Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation for 2019 is defined as operating profit of £17.7 million adding back exceptional costs and other non-recurring costs of £15.7 million and amortisation and depreciation totalling £52.2 million.

Strong growth in assets under management and organic new business generation	Despite a period of heightened political and economic uncertainty impacting investor sentiment and decision making, we achieved £3.4bn gross inflows during the year and a 20% increase in net inflows to £660m. Our AUM grew to £26.3bn
Growth of Revenues in fluctuating markets	Our revenues grew by 3% supported by rising AUM but progress was partially offset by lower financial planning fees due to investor hesitancy
Investment in people, technology and fund ranges	We continued to invest in supporting client service and future growth, including hiring of new staff, digital tools for advisers and enhancements to Bestinvest and our MyTilney client portal. We merged our UK domiciled fund range into our Irish fund company offering nine funds available for distribution both within the UK and EU post-Brexit
Strong profitability and cash generation	In spite of the challenging new business environment and increased costs from staff hires we delivered £85.6m of Adjusted EBITDA and £17.7m of operating profit, growing our surplus cash.
Announced proposed merger with Smith & Williamson	In September we announced a proposal to combine with Smith & Williamson to create a market leading UK integrated wealth management and professional services group. The transaction is subject to regulatory approvals and targeted to complete in 2020..

Strategic Report

Our Market and Opportunities

It is estimated that UK households hold £1.6 trillion in personal, liquid investible financial assets (source: LEK Partnership) and this has been growing at a rate faster than both inflation and GDP in recent years. This *represents a significant addressable opportunity for Tilney.*

Structural Growth in Retirement Savings

Increases in life expectancy have proven a powerful incentive for policy makers to encourage self-reliance in retirement. This has included the provision of tax incentives, such as Individual Savings Accounts, as well as the introduction of auto-enrolment into work place pensions. A more fluid employment market means the typical individual is expected to accumulate a number of pension arrangements through their working lives, raising the demand for advice and the consolidation and management of these assets.

Changes to the pensions system in recent years have provided a continuing tailwind to the growth of the UK private wealth market. The introduction of greater flexibility in how pension assets can be accessed at retirement has resulted in more choice, but also greater complexity and demand for professional advice. With fewer retirees now choosing to use their pension to purchase an annuity at retirement and more staying invested and drawing an income of their investments, this trend has the potential to extend the relationship between clients and their wealth managers by decades.

How we are responding

We have developed a broad range of services, with a significant depth of expertise to support clients with their financial planning needs and the management of their investments. The breadth of our services and multi-channel model which spans online investing, telephone based advice and face-to-face means we are able to support clients from across the UK wealth spectrum, from the affluent to the very wealthy. Through Bestinvest, our online service, we are also able to support clients at a much earlier stage in their financial lives than most traditional wealth management businesses, with the scope to evolve the services we provide them with as their needs and requirements change and their assets grow.

A Rapidly Evolving Regulatory Landscape

The decade since the global financial crisis has seen a significant amount of regulatory change designed to afford greater protection for consumers, improve client outcomes, enhance transparency and strengthen accountability. Examples of major recent developments include the implementation of the MiFID II regime in 2018, which has created greater transparency over costs and increased reporting obligations; the EU's General Data Protection Regulations (GDPR) which have had major implications for the protection and use of data with potentially significant financial penalties for breaches. 2019 saw the implementation of the FCA's new Senior Managers Certification Regime to strengthen accountability in regulated firms. The FCA have also been undertaking a number of thematic reviews. Alongside these developments, UK financial services businesses have also been preparing for the potential impacts that will stem from the UK's departure from the European Union.

How we are responding

We welcome regulatory developments that improve client outcomes, strengthen accountability and reinforce consumer trust. We have proactively embedded high standards of conduct into our culture, including in our approach to appraisals and remuneration. As the regulatory environment has evolved and we have grown in scale, this has required appropriate investment in resources and training. We have invested in compliance, risk management, cyber-security and systems and processes. All of our staff are required to undertake regular, mandatory training to ensure they are familiar with developments in the regulatory and legal environment and are acutely aware of the risks and responsibilities incumbent working in a regulated financial services business. Our preparations for the UK's departure from the EU have included merging our UK domiciled fund range into our Irish domiciled range, preserving the flexibility to market these within the EU.

Strategic Report

Leveraging New Technology

New technology is changing the world we live in and is also disrupting many traditional business models. In our market it creates opportunities to improve the way clients are supported but also threatens those businesses who fail to adapt. Within the wealth management sector, digital tools can help deliver both a better service to clients and improve efficiency. The emergence of "robo-advice' services also has the potential to help bridge the advice gap and broaden the universe of individuals receiving support in managing their long-term savings beyond the target client profile of wealthier individual's that our industry has traditionally focused on.

How we are responding

We have invested heavily in systems in recent years, including the implementation of a new, group-wide technology platform, XPlan. In 2019 we invested in the front-end development of MyTilney, our core client portal, and new digital tools to support our advisers as part of our ongoing programme of digitalising the business to reduce manual processes. This programme includes digital fact finds, the use of tablets for remote working, automated client on-boarding and increased use of video conferencing to both improve client experience and enhance adviser productivity.

We have also made enhancements to Bestinvest, our online investment service, upgrading existing functionality and improving client journeys. We have recently extended the service proposition with the launch of Bestinvest Plus, a low-cost simplified advice service that combines our online business with our telephone based advice team and centralised investment capabilities. Bestinvest Plus enables clients to complete an online fact find, schedule a call with a qualified adviser and receive a personal recommendation for an appropriate managed investment solution along with a suitability report.

A Consolidating Sector

The range and number of businesses providing services to the UK private wealth market is extensive and includes private banks, high street banks, discretionary investment managers, financial advisers and online services. Most firms of wealth managers and financial advisers are small in size. For example, it is estimated that 310 firms of wealth managers are responsible for £969bn of assets on a discretionary or advisory basis (source: PAM 2019). Of these, 31 had a market share in excess of 1%. With the ten largest firms managing 43% of assets, this is an industry with a long tail of small firms. However, the regulatory burden has steadily been rising and client needs are evolving, creating cost and competitive pressures for smaller firms and driving the need for greater scale within the market. Scale brings a number of benefits, including the ability to invest in talent, processes, new technology and investment research to improve client engagement, enhance efficiency and support the delivery of investment performance.

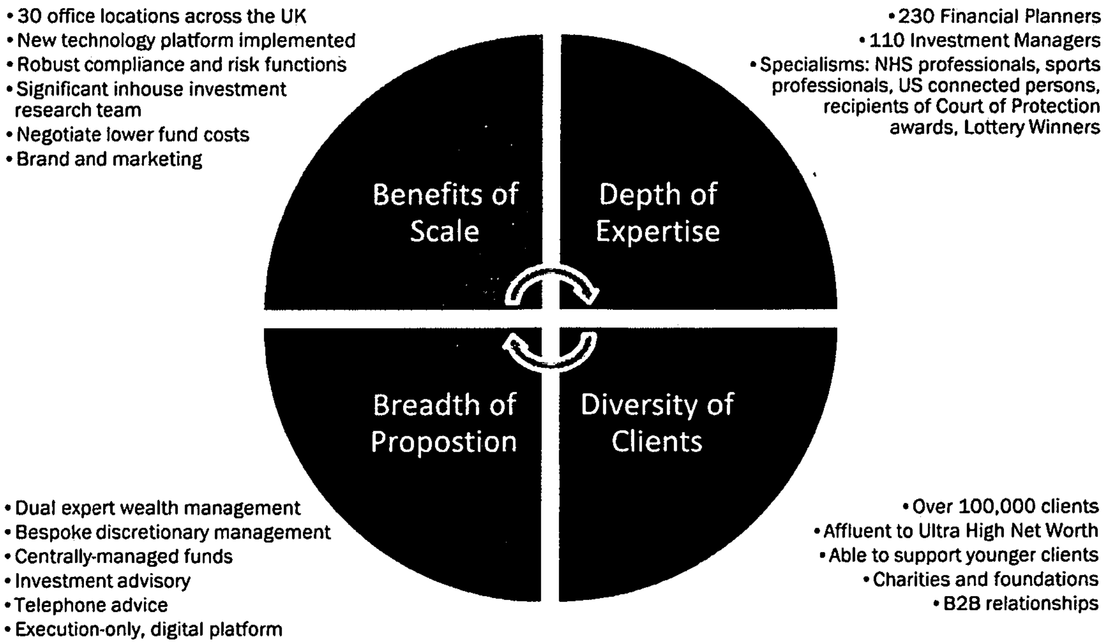
How we are responding

We have been at the forefront of consolidation within the sector in recent years and continue to explore selective M&A opportunities where the cultural and strategic fit is right. Since 2014 we have successfully integrated ten high quality businesses of varying sizes into the group. In 2019 we completed the acquisition of Index Wealth Management in the Midlands and, via a business transfer agreement, the UK wealth management business of Moore Stephens. In September 2019, we announced proposals to combine our business with Smith & Williamson, completion of which is contingent on regulatory approvals. A merger between Tilney and Smith & Williamson will create a market leading integrated wealth management and professional services business able to offer an unrivalled breadth of advice services to clients spanning both their personal financial affairs and business interests.

Strategic Report

Our Business Model

Tilney has developed a distinctive business model within the wealth management sector which is scalable, has a depth of expertise in financial planning and investment management and offers a broad range of services able to support a diverse client base.



Combining the Benefits of Scale with a Personalised Service

Tilney's business model has been developed to combine the benefits of scale with a highly personalised level of service, delivered close to our clients from 30 office locations across the UK.

Our scale has enabled us to invest heavily in talent, technology and systems to enhance client service, improve operational efficiency by reducing manual processes and create a robust risk framework. Scale has also allowed us to invest heavily in brand, marketing and lead generation. It also underpins our investment proposition, allowing us to support a sizeable in-house research function in a regulatory environment where external, sell-side research must be explicitly paid for.

With £26.3 billion of assets under management, 76% of which are held under discretionary investment management mandates or centrally managed funds, our scale is also a major advantage in providing our investment teams with priority access to leading fund managers. It has also enabled us to drive down investment costs for the benefit of our clients as we leverage our buying power to negotiate reduced ongoing costs on funds.

Depth of Expertise

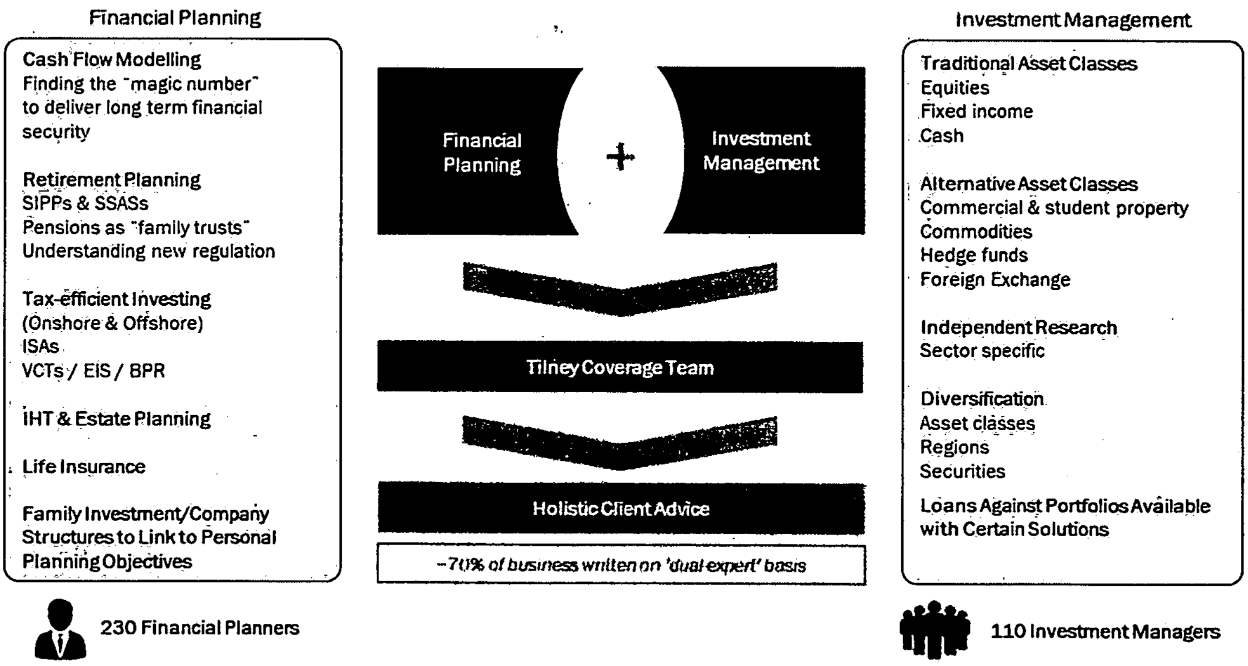
With 230 financial planners, 110 investment managers and a 30-strong central investment team, we are recognised for the depth of our expertise. Our strength in both financial planning and investing means we are able to support clients with an integrated and holistic wealth management service. Our strength in financial planning differentiates us from our private client investment management peers who typically rely more heavily on third-party firms of financial advisers to introduce clients. We believe our model will lead to longer-lasting and deeper client relationships and makes us more resilient to changing dynamics in the value chain between financial advisers and private client investment managers.

Our teams are professionally qualified to very high standards and well beyond the minimum levels required by regulation. Over 60% of our investment managers and financial planners hold coveted "Chartered" status, typically as members of the Chartered Institute for Securities & Investment or the Chartered Insurance Institute, respectively.

Tilney's financial planners support clients with advice across a wide range of areas including retirement, tax efficiency, inter-generational wealth planning, inheritance tax mitigation, funding education fees and dealing with life changing events such as the financial aspects of divorce, dementia or incapacity. For many clients they will provide a comprehensive, ongoing lifetime financial plan which will typically incorporate building a long-term cash flow model.

Most financial plans need to incorporate a robust investment strategy. The specific goals and risk profiles of many clients can be matched by selecting portfolios based on our range of centrally managed strategies; others will require a service that is entirely bespoke, where a dedicated investment manager will produce a portfolio entirely tailored to the individual and manage this on a discretionary or an advisory basis. Our scale and expertise in both financial planning and investment enables us to support clients with a joined up and holistic wealth management service.

Our investment process is highly disciplined with portfolios constructed on a multi-asset basis, aimed at delivering strong returns within an agreed risk profile. Investment selection is based on rigorous in-house research by our central investment team who take a whole-of-market approach to selecting funds, investment companies, exchange traded funds and individual securities. Our investment track record is strong compared to other private client investment managers, as measured and validated by Asset Risk Consultants.



Strategic Report

Our Core Services

"Dual expert" wealth management	We provide clients with an integrated advice service that combines the dual expertise of a dedicated financial planner and an investment management professional. A lifetime financial plan will be developed having identified the clients' goals and requirements. This will include the development of a long-term cash flow model that will be periodically revisited. A bespoke investment portfolio will be managed to support the plan.
Financial planning	Our financial planners can advise on a wide range of areas including pensions and retirement planning; inheritance tax mitigation and estate planning; tax efficient investing; gifting and philanthropy; the financial impact of life changing events (e.g. divorce, serious illness) and protection.
Personalised investment management service	This is a completely personalised service. The clients' dedicated investment manager will construct and manage a bespoke portfolio to meet the specific objectives of a client.
Investment advisory service	Designed for clients who want to retain control over investment decisions but who would like the support and recommendations of a dedicated investment adviser.
Core investment management service	A range of nine portfolios designed around different risk and goal profiles, managed by our central investment team.
Bestinvest	Bestinvest is a low cost, online service enabling clients to invest in an extensive range of funds, investment companies, exchange traded funds, UK shares and venture capital trust new issues. A variety of account types are available and clients are supported with tools, analysis and investment ideas. A range of ready-made portfolios are provided for those seeking a managed solution. For those requiring additional help in selecting an investment strategy, Bestinvest Plus provides access to telephone based, regulated advice.
Charity investment services	We provide charity clients with a customised investment management service with portfolios managed to their precise needs. Where trustees wish to retain control over investment decisions, we provide an advisory service and have established a strategic relationship with the Charities Aid Foundation to provide such support.
Services for professionals	We provide a range of investment services to the clients of UK and international financial advisers. These include: bespoke discretionary investment management, a centrally-managed range of model portfolios available on multiple platforms and a global multi-asset fund range designed for international advisers.

Strategic Report

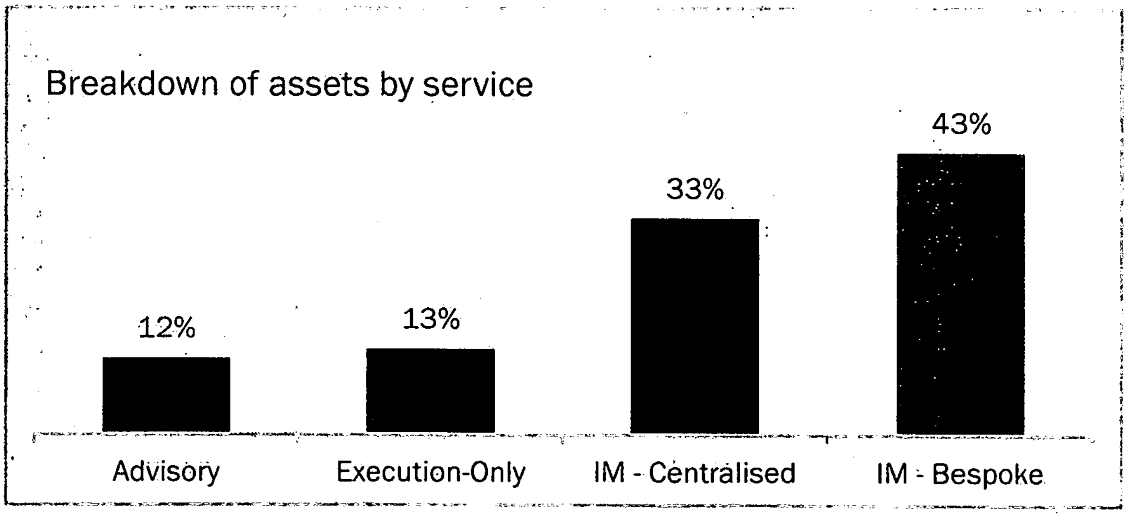
Breadth of Services

Our comprehensive range of services and extensive office network means we are able to support a diverse client base of over 100,000 individuals and their families, professionals and entrepreneurs, as well as charities, trusts and UK and international financial advisers. We often work in close partnership with professional services firms, including leading accountancy practices and law firms.

We have a multi-channel service model which includes online investing, telephone advice and face to face relationships. Our client base spans younger clients and self-directed investors managing their investments online, through to Ultra High Net Worth individuals for whom we provide a highly tailored service, typically working alongside other professional advisers such as lawyers and accountants. We recognise that every client is unique and as client circumstances become more complex and their wealth increases, the way we support them becomes tailored to their needs.

For those who prefer to manage their own investments and younger investors who are at the start of their investing lives, we offer an award-winning online investment service in Bestinvest with a range of account types including an Individual Savings Account, a Junior ISA for children, a Self-Invested Personal Pension and General Investment Account. Bestinvest clients can select from an extensive range of investments or select a ready-made portfolio, managed by our central investment team. We support them with tools, analysis and guidance, as well as provide advice in selecting an investment strategy through our Bestinvest Plus service.

We have specialist expertise in a number of areas. These include managing assets for charities, assisting US-connected persons, advising sports and media professionals, recipients of personal injury and clinical negligence awards and senior doctors and medical professionals. We have considerable experience advising the partners of legal and accountancy practices, as well as working with other professional service firms to support their clients.

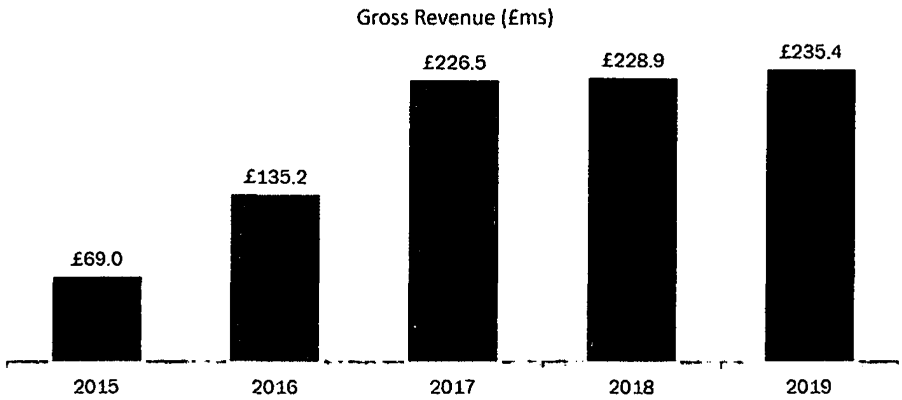


Note: IM = Investment Management

Strategic Report

A Strong Growth Record

Tilney is one of the fastest growing firms in the UK wealth management sector. Our assets under management increased 280% over the last five years from £9.4 billion at the end of 2015 to £26.3 billion at the end of 2019. Over the same period revenues have risen 341% from £69.0 million to £235.4 million.

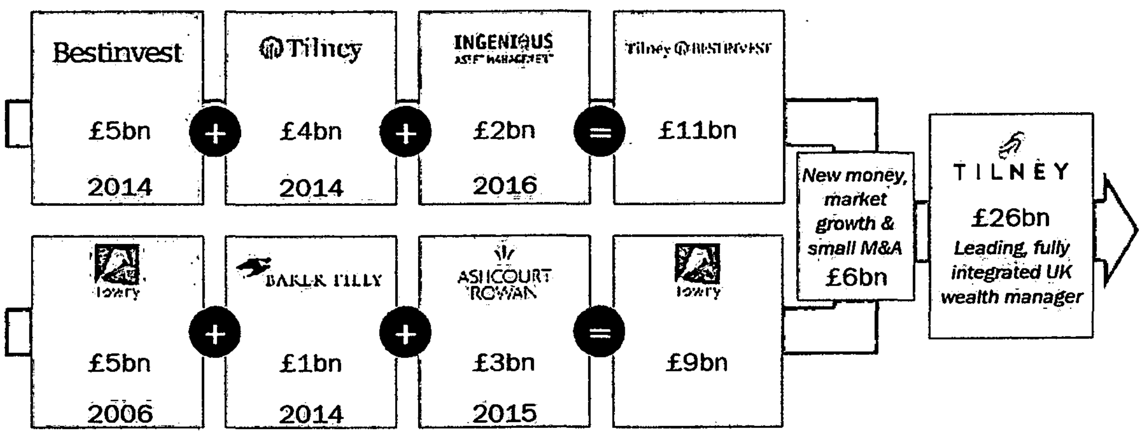


As we have grown the business, we have deepened our participation across the advice and fee chain by building scale in both financial planning advice and investment management. This has been achieved through both consistent organic growth and value creating acquisitions.

Over 90% of our new business is sourced directly through our client facing teams across the UK or through digital marketing, events and seminars. During 2019 we attracted £3.4 billion of Gross New Money of which £2.8 billion was on a wholly organic basis, representing 12.2% of opening assets and £0.6 billion was through acquisitions. Outflows of £2.1 billion were largely offset by favourable market movements of £2 billion.

In an industry that is ripe for consolidation, we have been active in identifying attractive non-organic opportunities to grow the business through selective mergers and acquisitions. In recent years we have successfully integrated a number of businesses of varying sizes, including the acquisitions this year of Index Wealth Management and the UK wealth management business of the accountants Moore Stephens.

Major M&A History



With our highly scalable and profitable business model, comprehensive range of services that can support the varied needs of our clients, and deep expertise across both financial planning and investment management, we are confident that Tilney is exceptionally and uniquely well-positioned for the future.

Strategic Report

Chairman's Statement

A year of excellent progress in delivering our strategy

2019 proved to be a truly significant year for Tilney in which we made excellent progress towards achieving our strategic ambition of becoming the UK's leading, scaled-up, integrated wealth management business. It was a year of further investment in the business, continued organic growth and one which saw the completion of two bolt-on acquisitions as well as the announcement of a merger with Smith & Williamson.

The agreement to acquire Smith & Williamson for consideration of £625 million in a combination of cash and shares, was the key strategic development during the year and was also the largest transaction in the sector. The proposed transaction was announced on 19 September, overwhelmingly approved by Smith & Williamson's shareholders on 13 November and, subject to regulatory approval, is expected to complete in 2020 at which point the group will be rebranded Tilney Smith & Williamson.

The combination of Tilney and Smith & Williamson will be a transformational one for us, creating the UK's leading integrated wealth management and professional services group. Based on end of year assets under management, the merged group will have £49.0 billion assets and pro forma revenues of over £500 million. This will place us in the top five UK wealth managers as measured by assets under management and among the top ten UK professional services firms.

The highly complementary fit between the two businesses will create a unique and differentiated service proposition, enabling us to support clients with both their personal financial affairs and business interests. It will significantly bolster Tilney's existing strength and expertise in financial planning and investment management while extending our presence into professional services, including tax advice. The breadth of the services the combined business will offer will place the business in an excellent position to capture future growth opportunities and to support clients as their needs evolve.

Embedding our culture, values and mission

As I wrote in last year's annual report, Tilney has a strong culture of professionalism and putting the interests of clients' first, encapsulated by our commitment to clients that "Your personal wealth is our personal responsibility". Fostering this ethos has been a key priority for the business over the year and also when considering potential M&A activity. In respect of the latter, we believe Smith & Williamson has a very complementary culture to ours, with an excellent reputation for looking after its clients over many years.

Within the existing business and prior to announcing the transaction, we undertook a group-wide survey to understand the values that are personally important to our people and those they want to see lived within the culture of the organisation. Client focus, team work, professionalism and loyalty were prominent themes. On completion of the merger, we expect to undertake a similar exercise with colleagues from Smith & Williamson so that we can develop clarity around the shared vision, mission and values of the combined group. Embedding a shared, client-centric culture and high standards of professionalism will be key to the future success of the business.

Board and Governance

The Board saw one change of Director during 2019, with the resignation of Jonathan Asquith as a Non-executive Director on 31 August. Following his resignation from the Board, James Fraser was appointed as interim Chairman of the Risk & Audit Committee.

On completion of the merger with Smith & Williamson, and subject to regulatory approvals, we expect to make a number of changes to the Board, drawing upon the wealth of experience across both groups.

An important development within our industry has been the implementation of the FCA's new Senior Managers and Certification Regime (SCMR) in December 2019. This new framework is designed to reinforce accountability within the culture of UK regulated financial services businesses and has impacts on governance arrangements. Alongside the implementation of SMCR we therefore reviewed the composition of the Boards of the various regulated operating companies within the group to align these with those individuals performing Senior Management Functions under the new regime.

Strategic Report

Executive Management

The Board works closely to support and challenge the senior management team tasked with executing the strategy and running the business. I am pleased to report that the Executive Committee, chaired by CEO Chris Woodhouse, was strengthened in May with the appointment of Benne Peto as Chief People Officer with responsibility for our Group Human Resource department. Benne joined us from Cabot Credit Management where she was responsible for the people agenda across the group and she has previously worked at number of high profile companies including, Lloyds Banking Group, Kingfisher Group and Andersen Consulting.

The Future

With the Smith & Williamson transaction expected to complete in 2020, integrating the businesses will be the key area of focus over the coming year. Business integrations of this nature and scale are undoubtedly complex, but we have considerable experience of undertaking them. Since 2014 we have successfully completed multiple transactions of varying sizes, including the integrations of Towry Group, Ingenious Asset Management, Tilney and Bestinvest.

Following the announcement of the Smith & Williamson transaction in September a significant amount of work has taken place to gain a detailed understanding of how each business currently operates and to identify a future target operating model that will build on the strengths of both Tilney and Smith & Williamson. This vital groundwork has involved a considerable amount of effort across a wide range of functions and will enable us to move swiftly into execution upon completion. I would like to thank everyone who has been engaged in both the transaction and the integration planning process. Tilney is already a highly successful business in its own right but the merger presents a significant opportunity to create an unrivalled service offering for our clients as well as provide enhanced career and personal development prospects for our people. This will further strengthen our ability to attract new talent.

Finally, I would like pay tribute to the dedication and commitment shown by our staff during the year. Our people without doubt are our greatest asset and we are proud of their professionalism. During 2019 they have helped our clients navigate a period of heightened political and economic uncertainty, delivered strong investment returns and have continued to drive strong growth in new business whilst we have prepared for a period of major change.

Will Samuel
Chairman

11 March 2020

Strategic Report

Chief Executive's Review

I am pleased to report that 2019 was another successful year for Tilney. We made excellent progress with our M&A strategy, further invested in the business through additional hires and new technology and we continued to generate significant new business despite an uncertain external environment.

Assets under Management (AUM) increased 14.3% to £26.3 billion (2018: £23.0 billion), driven by a combination of positive returns across markets, new business and the acquisitions of Index Wealth Management and the wealth management division of Moore Stephens which completed during the first quarter.

With 89.0% of our revenues recurring in nature, our increased AUM resulted in an overall rise in revenue to £235.4 million (2018: £228.9 million).

Adjusted EBITDA, which the Board believes is most appropriate measure of our underlying financial performance, was £85.6 million (2018: £87.4 million). The slight decrease of 2.1% on the prior year reflected an increase in the cost base, including a rise in headcount by 72 staff as we invested in both client facing professionals and support staff. We anticipate these hires will drive additional revenue growth over the coming year and beyond. Adjusted EBITDA as a percentage of Revenue, a key measure of business profitability and efficiency, remained healthy at 36.4% (2018: 38.2%).

On a statutory reported basis, which includes both exceptional costs and non-cash items such as amortisation and depreciation, we made an operating profit of £17.7million (2018: £22.9 million). This was a year of significant M&A and business integration activity and the decline in operating profits reflects the fact that exceptional costs were incurred as a result of this. Further detail on our financial performance and a reconciliation of Adjusted EBITDA to our reported operating profit is provided in the Financial Review.

Strong market returns, but fragile sentiment

2019 saw exceptionally strong returns across most asset classes, in marked contrast to the negative returns of 2018. The strong returns from markets were fuelled by a dramatic change in policy from the US Federal Reserve which cut interest rates three times during the year, reversing a previous policy of rate increases. Global equities, as measured by the MSCI World Index, delivered an impressive capital return in Sterling terms of 20.4%. The UK equity market was a relative laggard during the year but nevertheless still delivered a healthy capital return of 10.8% (source: MSCI United Kingdom Index).

Rising markets are beneficial for businesses like ours which earn fees primarily as a percentage of the assets we manage for our clients. However, the positive benefit of rising markets was tempered somewhat by the impact on client sentiment of UK political and economic uncertainties stemming from the Brexit process and the snap UK General Election in December. Despite some clients putting new investment decisions on hold, our organic new business generation was still healthy across the year with gross inflows of £2.8 billion, equivalent to 12.2% of opening assets under management. Net flows also remained positive at £660 million (2018: £549 million), a 20.2% increase on the prior year.

Strategic Report

Merger and Acquisitions ("M&A") Activity

The UK wealth management industry has traditionally been highly fragmented but changes in the regulatory landscape and the increased need to invest in new technology are just two of the factors that are driving the case for increased scale. Tilney has considerable experience in successfully integrating financial planning and investment management businesses and we regularly explore opportunities to create value through M&A.

In the first quarter of the year we completed the acquisitions of Index Wealth Management, based in the Midlands, and the wealth management division of Moore Stephens based in London. The two transactions had added circa £645 million of assets under management as at the year end. Both deals have brought us high quality professionals with strong client banks and are now operating under the Tilney brand.

In September we announced that we had reached an agreement with the Board of Smith & Williamson to acquire the business for £625 million and to merge the two groups to become Tilney Smith & Williamson. The transaction is subject to regulatory approval and is expected to complete in 2020.

The merger of Tilney and Smith & Williamson is a major development, which will create a leading player in both UK wealth management and professional services. Together, we will have circa 280 investment managers, 260 financial planners and over 150 professional services partners and directors, operating from 36 office locations in the UK, Ireland and Guernsey. This will enable us to broaden our range of services and support clients with both the management of their personal wealth and their business interests and in so doing diversify our sources of revenue.

Merger of Fund Ranges

Alongside the management of bespoke portfolios, Tilney also manages significant AUM through our own multi-asset funds. These are managed by our central investment team and are designed to suit a variety of risk and goal profiles. As a result of historic acquisitions, we began the year with open ended investment companies domiciled in both the UK and Ireland but with considerable duplication in the underlying fund ranges offered in these jurisdictions.

An important project during the year was to review and restructure these fund ranges. In September we successfully completed a merger of the former UK domiciled IFSL Tilney Bestinvest Multi-Asset Portfolio funds into an Irish Collective Asset Management Vehicle (ICAV). This exercise has resulted in a consolidated range of nine funds covering a wide range of different risk and goal profiles which are branded the Tilney Active Portfolios. Alongside the benefits and efficiencies of having a streamlined range with increased scale, as an Irish ICAV the Tilney Asset Portfolios will be available for distribution within the European Union following the UK's departure from the EU.

As part of the fund restructuring exercise, we also launched an ethical fund, an area where we see growing client demand.

Continued Investment in Technology and Client Services

In recent years we have invested in heavily in both people and systems. During 2019 we continued to invest in new technology with the re-design of MyTilney, our core client portal, as well as the roll-out of new digital tools for advisers so that processes such as the completion of suitability reviews with clients can be undertaken online.

We also made a number of enhancements to Bestinvest, our online investment service. These included new journeys to help clients select "ready-made portfolios", improved research pages, and a new investment search engine. We have also developed Bestinvest Plus, a new simplified advice service. Bestinvest Plus enables investors to complete a fact find online and arrange a call with a telephone based adviser, following which they will receive a personal recommendation for an investment solution that is appropriate for their risk profile and needs.

Strategic Report

Another Year of Awards Success

The quality of our services and our people was once again recognised through successfully winning a number of awards. At the Financial Times and Investors Chronicle Investment & Wealth Management Awards Tilney won *Stockbroker of the Year* and *Best Wealth Manager for Tax Services* while Bestinvest won *Best Execution-only Stockbroker* and *Best Investment Platform*. Tilney also won *Best Overall Large Firm* at the Citywire Wealth Manager Investment Performance Awards and *Best Advisory Service* at the Shares Awards. A number of our team also won individual awards during the year in recognition of their expertise.

Outlook

With the UK election now behind us and progress made towards a de-escalation of the US- China trade dispute, some of the main causes of anxiety that hung over investors last year have clearly been lifting. However, these concerns have been replaced by the spread of the COVID-19 virus which has caused significant economic disruption in China and which has led to turbulence on global markets as the virus has spread. While we anticipate a concerted policy response from both central banks and governments to alleviate the economic shock, the near term impact on market levels and new business appetite leads us to be cautious on outlook. We are closely monitoring developments, have put in place robust contingency plans to ensure we can continue to support clients in all eventualities and in the near term we will take a prudent approach to cost control..

In such volatile market environment, a disciplined approach to portfolio management is key. We are confident of the quality of the service we provide to clients with both an active approach to asset allocation and a rigorous investment selection process that has added value to returns. Our investment track records continue to be very competitive against peers over the short, medium and longer term.

The integration of Tilney and Smith & Williamson will be a major focus for the business in 2020 and considerable work has gone into the planning process. We have been designing the target operating model of the combined business in a way that will build on the strengths of both businesses. Tilney Smith & Williamson will have a client service proposition that we believe is unrivalled by any of our peers and this leaves me confident that we will be uniquely well-positioned for future growth.

Christopher Woodhouse

Chris Woodhouse
Chief Executive

11 March 2020

Strategic Report

Financial Review

In the Financial Review we consider the results for the year, analysing key elements of the Income Statement. We examine the Revenues and the assets under management from which they are principally derived, followed by an analysis of the Operating Costs. We then provide some additional information regarding exceptional costs, intangible assets, and capital expenditure. Finally, we consider the Group's financing arrangements and capital requirements.

Results for the year

Against a backdrop of political and economic uncertainty we made excellent progress in delivering our M&A strategy, investing in the business through additional hires and new technology, and continuing to generate significant new business. Our Assets under Management (AUM) increased 14.3% to £26.3 billion (2018: £23.0 billion), from a combination of positive market performance, organic new business, and adding the assets from the acquisitions of Index Wealth Management and the wealth management division of Moore Stephens which completed early in the year.

89% of or revenues are recurring in nature, driven by annual management charges applied to the AUM. Our revenue of £235.4 million was 2.8% ahead of the previous year (2018: £228.9 million), impacted by the lower opening values of AUM following the falls in markets in Q4 2018. Cost of Sales have remained broadly the same. Gross Profit (see below) has increased from £200.0 million in 2018 to £207.3 million for 2019.

Operating and administrative expenses were £189.6m compared to £177.1m in the previous year; the increase in the expenses attributable to higher amortisation charges, increased costs such as the Financial Services Compensation Scheme levy, and significant exceptional costs incurred in connection with integration activity and the planned merger with Smith & Williamson.

On a statutory reported basis, which includes both exceptional costs and non-cash items such as amortisation and depreciation, we made an operating profit of £17.7million (2018: £22.9 million).

Summary of Financial Performance

Income statement		Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Revenue		**235.4**	**228.9**
Cost of Sales		(28.1)	(28.9)
Gross Profit		***207.3***	**200.0**
Operating and administrative expenses		(179.6)	(170.4)
Exceptional items:	acquisition and integration costs	(6.8)	(7.0)
	other costs	(3.2)	(0.2)
	gain on disposal	-	0.5
Operating and administrative expenses		(189.6)	(177.1)
Operating profit		**17.7**	**22.9**
Finance costs net of investment revenues		(26.8)	(37.2)
Loss before tax		**(9.1)**	**(14.3)**

Reconciliation of Operating Profit to Adjusted EBITDA

To analyse performance, the Group uses Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA). The Group uses Adjusted EBITDA and Adjusted EBITDA margin (Adjusted EBITDA divided by Revenues) to measure and report on underlying financial performance as these measures most readily facilitate comparison across reporting periods.

The executive management and the Board set targets for Adjusted EBITDA and Adjusted EBITDA margin along with other Key Performance Indicators as performance measures for discretionary incentive plans for senior staff and the annual bonuses for the executive directors.

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Adjusted EBITDA eliminates the distorting effect of certain items of income and expense reflected in operating profit, considered by the Board to be outside the ordinary course of business. Such items include depreciation and amortisation of intangibles, the costs of acquisition of companies, businesses and client relationships, and the costs of subsequent integrations. While the Board recognises that acquisitions and integration projects recur from period to period, the Directors consider that they arise from decisions that are outside the normal course of business. Accordingly, the associated expenses do not reflect the long-term run-rate operating expenses incurred in the daily activities of providing Investment Management services and Financial Planning advice to clients. Exceptional costs are disclosed in the profit and loss account and detailed in note 6.

Adjusted EBITDA

Adjusted EBITDA amounted to £85.6 million (2018: £87.4 million) showing a decrease of £1.8 million, due to an increase in the cost base, including a rise in headcount by 72 staff as we invested in both client facing professionals and support staff. We anticipate these hires will drive additional revenue growth over the coming year and beyond. Adjusted EBITDA as a percentage of Revenue, a key measure of business profitability and efficiency, remained healthy at 36.4% (2018: 38.2%). Our reconciliation of Operating Profit to EBITDA is as follows:

Operating profit to EBITDA	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Operating profit	**17.7**	**22.9**
Exceptional costs	10.0	6.7
Other non-recurring costs and defined benefit pension	5.7	6.4
Depreciation and amortisation	52.2	51.4
Adjusted EBITDA	**85.6**	**87.4**

Our presentation of Adjusted EBITDA is as follows:

Adjusted EBITDA	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Revenue	235.4	228.9
Cost of Sales	(28.1)	(28.9)
Gross Profit	207.3	200.0
Operating and administrative expenses*	(121.7)	(112.6)
Adjusted EBITDA	85.6	87.4

Operating and administrative expenses deducted in calculating Adjusted EBITDA exclude amortisation, depreciation, exceptional items and other non-recurring costs as considered below.

Revenue

Our financial performance is driven by revenue margins earned from assets under management and from fees charged for financial planning advice.

Revenue	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Annual management charges	210.7	201.1
Advice fees	11.1	12.8
Other revenues	13.6	15.0
Revenue	**235.4**	**228.9**

Recurring income of £210.7 million (2018: £201.1 million) accounted for 89% of revenues at an average margin of 84.5bps, down from 85.4 bps in 2018. The positive market movements in 2019 have increased portfolio sizes and hence reduced the percentage fees applicable due to the tiered pricing structures offered by the Group. Advice fees (non-recurring financial planning fees) were down slightly on 2018 at £11.1 million in 2019 (2018: £12.8 million). Other revenues are derived from legacy assets.

Revenue margin

Revenue margins are expressed as basis points from the mix of fee rates charged for managing clients' portfolios across the range of platforms offered by the Group. Basis point return is calculated as the revenues earned from annual management charges divided by the average funds under management.

Annual management charge margin	Year ended 31 December 2019 £bn	Year ended 31 December 2018 £bn
Average AUM	24.9	23.5
Annual management charges (£m)	210.7	201.1
Margin (bps)	**84.5**	**85.4**

Gross profit

Gross profit represents Revenue less Cost of sales, comprising Custody fees, SIPP administration fees and Introducer costs; these costs have decreased slightly to £28.1 million in 2019 from £28.9 million in 2018.

Gross profit	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Revenue	235.4	228.9
Cost of sales	(28.1)	(28.9)
Gross profit	207.3	200.0

Assets under management

Assets under management increased by a net £3.3 billion to £26.3 billion at 31 December 2018 from £23.0 billion at the start of the year. The net increase is analysed as follows:

Assets Under Management	Year ended 31 December 2019 £bn	Year ended 31 December 2018 £bn
Opening AUM	23.0	24.1
Acquired AUM	0.6	-
Gross inflows	2.8	2.9
Outflows	(2.1)	(2.3)
Market movement	2.0	(1.7)
Closing AUM	**26.3**	**23.0**

Net New Money was £660 million (2018: £549 million), an increase of 20% even though the political and economic uncertainty slowed gross inflows towards the end of the year delaying client investment decisions. Approximately £2 billion of the outflows related to expected draw-down from clients transferring wealth to younger generations, purchasing property or using capital to provide income for living expenses, in line with our typical annual experience.

Operating costs

Operating costs in 2019 of £121.6 million increased by 8% from those incurred in 2018 (£112.5 million), with the increase reflecting additional operating expenses resulting from planned investment in the business. Headcount has increased from 1,145 to 1,217 over the year, with an increase in both revenue generating staff and support staff. The Group has invested in the support functions throughout the business to further enhance the robustness and effectiveness of processes and controls that underpin the services offered.

Staff related costs of £90.0 million (2018: £82.7 million) comprise 74% of operating costs (2018: 74%).

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Other operating expenses of £31.6 million (2017: £29.8 million) include IT, marketing, finance, property (excluding lease costs) and other central support services costs. A sharp rise in the Financial Services Compensation Scheme levies payable by the Group has more than offset savings made in other areas.

Exceptional costs, Non-recurring costs, Depreciation and Amortisation

Certain expenses are excluded from Adjusted EBITDA as they primarily relate to corporate actions rather than trading performance of the business.

Operating costs excluded from Adjusted EBITDA	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Exceptional costs relating to acquisitions	6.7	7.0
Other exceptional items	3.3	(0.2)
Exceptional costs	**10.0**	**6.8**
Other non-recurring costs	5.7	5.8
Movements relating to the defined benefit pension scheme	-	0.5
Depreciation and amortisation	52.2	51.4
Operating costs excluded from Adjusted EBITDA	**67.9**	**64.5**

Further detail is included below.

Exceptional costs

Total expenditure on acquisitions and integration amounted to £6.7 million in 2019 (2018: £7.0 million), including acquisition and integration costs relating to the acquisitions of Index Wealth and the Moore Stephens business, deferred payments of £2.6 million relating to previous acquisitions where the payments are subject to bad leaver clauses (and hence treated as payments for post-acquisition services), some further restructuring costs, and some legal and professional costs incurred in relation to the proposed merger with Smith & Williamson. This transaction was agreed in September 2019 and is expected to complete in 2020, subject to regulatory approval. Additional fees that are contingent on the transaction completing were not recognised in 2019.

Other exceptional costs of £3.3 million relate to the restructuring of the investment funds offered by the Group. This has been done both to rationalise the range of funds offered, and to ensure that the funds available will not be negatively impacted by Brexit. This activity was part of the integration plan when the Towry business was acquired, but was deferred to allow management to focus on other areas of the integration first.

Other non-recurring costs [1]

Non-recurring costs include expenditure on major projects undertaken by the business. This includes activity required to implement significant legal or regulatory changes, projects undertaken to enhance the client proposition, and major initiatives to improve internal processes and increase efficiency. During 2019, the largest areas of expenditure related to activity to improve the clarity and transparency of our pricing structures whilst also changing our approach to client money handling, a programme to construct front and back office processes in an optimal manner, making the best use of the IT systems available, and a limited amount of restructuring activity.

Defined benefit pension scheme

We operate a defined benefit pension scheme with 221 deferred members, 125 pensions in payment, and 8 current members.

Implementing guidance on the application of IFRIC 14, the Company is required to recognise as an asset the full amount of the defined benefit pension scheme surplus, with movements in the valuation of that asset

[1] Other non-recurring costs are included within general administrative expenses on the income statement

being included in the Statement of Other Comprehensive Income.

The accounting valuation of the schemes' liabilities has increased as a result of decreases in long term interest rates. At 31 December 2019 the scheme's liabilities, measured on an accounting basis were £56 million, an increase of 17% from £48 million at the end of 2018. Reflecting the performance of the schemes' assets over the course of the year, the reported position of the scheme at 31 December 2019 was an accounting surplus of £2.8 million (2018: surplus of £0.2 million) recognised in the Statement of Comprehensive Income. Triennial funding valuations form the basis of the annual contributions that we make into the scheme. Additional contributions were made based on the valuation of the scheme as at 31 December 2017 under a funding deficit reduction plan agreed with the trustees. No such additional contributions to the scheme were made during 2019 (2018: £1.7 million).

Depreciation and amortisation

Goodwill arises from the fair value of the assets acquired through business combinations, the largest of which in recent years was the acquisition of Towry in 2016. New goodwill recognised in 2019 totalled £2.8 million and related to the Moore Stephens and Index Wealth Management acquisitions that completed in the first quarter of the year.

Goodwill which arises from business combinations is not amortised, but is subject to a test for impairment at least annually. At 31 December 2019, the total carrying value of goodwill from business combinations was £369.6 million (2018 £366.9 million). The assessment of the carrying value of goodwill at 31 December 2019, detailed in note 13 to the financial statements, determined that no impairment was required.

Other intangible assets arise principally from acquired client relationships and brand values. At 31 December 2019, the total carrying value of intangible assets arising from acquired client relationships and brands was £378 million (2018: £404 million). During the year, client relationship intangible assets of £17.2 million were capitalised (2018: £1.7 million). The total amortisation charge in the year ended 31 December 2019 was £46.3 million (2018: £46.0 million), mainly reflecting historic acquisitions.

Client relationship intangibles included above are amortised over the estimated life of the client relationship, generally a period of 12 to 16 years. The amortisation charge for client relationships in 2019 was £43 million (2018: £41 million) including the impact of any lost relationships.

IFRS 15 Revenue from Contracts with Customers was adopted in 2018. Whilst this new standard did not have a material impact on our revenue recognition policies, it has changed the way bonus awards for assets introduced by investment managers under earn out agreements are accounted for. Two such arrangements commenced during 2019, with the bonus awards made being capitalised and amortised over the estimated life of the client relationships.

Dividends

The Company has not paid or declared a dividend.

Taxation

The tax credit for 2019 was £0.2 million (2018: £2.6 million) and represents an effective tax rate of 2% (2018: 18%). The 2019 effective tax rate has been impacted by expenses that are not deductible for tax purposes, mainly relating to costs associated with acquisition activity. The 2018 credit is in line with the mainstream UK corporation tax rate. An analysis of the tax charge is provided in note 12 to the financial statements.

Capital expenditure

During 2019, we have continued to invest for future growth with capitalised expenditure on our systems totalling £5 million (2018: £7 million). Investment in new systems reduced in 2019 with implementation of the IRESS XPLAN system largely completed.

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Cash flow, financing arrangements and capital requirements

Cash flow and working capital

Cash and cash equivalents, as defined by accounting standards, includes cash, money market funds and banking deposits which had an original maturity of less than three months. Consequently, cash flows, as reported in the financial statements, include the impact of capital flows in treasury assets.

The Group's fee income is largely collected directly from client portfolios and expenses are broadly predictable. Consequently, we are able to operate with a modest amount of working capital.

Debt financing

The Group benefits from debt funding arrangements put in place in December 2018 comprising an amortising £65 million 6 year Term Loan A provided by a panel of banks, and a £335 million 7 year Term Loan B supported by a range of investors. The Group also has access to a Revolving Credit Facility of £25 million.

Capital resources

The consolidated balance sheet remains healthy with total equity of £398 million at 31 December 2019 (£407 million at the end of 2018).

Capital requirements

The Group's primary regulator is the Financial Conduct Authority ("FCA"). FCA rules determine the calculation of the regulatory capital requirements of the Group and its twelve individual regulated subsidiaries, of which seven are subject to an additional capital adequacy assessment process.

As required under the FCA's rules, we perform an Internal Capital Adequacy Assessment Process (ICAAP) annually, which includes performing a range of stress tests to determine the appropriate level of regulatory capital and liquidity that we need to hold in the seven individual regulated entities subject to these requirements. We are required to hold capital to cover a range of own funds requirements, classified as Pillar 1 and Pillar 2.

Pillar 1 - minimum requirement for capital

Pillar 1 focuses on the determination of risk-weighted assets and expected losses in respect of the Group's exposure to credit, counterparty credit, market and operational risks and sets a minimum requirement for capital. This minimum is compared to a requirement based our fixed overheads, with the applicable Pillar 1 requirement being the larger of the two.

For the Tilney Group investment management entities, the Pillar 1 requirement is determined by the Fixed Overhead Requirement, as the regulated entities do not trade in securities for their own account so there is very limited exposure to credit, counterparty, and market risk. The advisory firms in the Group are subject to an income based requirement.

Pillar 2 - supervisory review process

While Pillar 1 is a standard and relatively simple calculation applied to all firms, Pillar 2 supplements the Pillar 1 minimum requirement, reflecting our own assessment of the risks that face the Group's business. These risks are operational and conduct related and our assessment of their quantum is based on a series of scenarios.

Each individual regulated entity is required to hold capital ('Own Funds') sufficient to meet the higher of the Pillar 1 and Pillar 2 assessments. Each of our entities meets that requirement and holds a further margin of sufficiency determined by the Board as the prudential buffer of surplus capital that should be carried to support their business.

In arriving at Own Funds held to meet these requirements, the net book value of goodwill, the intangible assets of client relationships and brand values, and various other inadmissible assets such as intra-group receivables are deducted. After making all requisite adjustments, six of the seven regulated entities met their regulatory capital requirement through Tier 1 capital, comprising ordinary share capital and retained earnings. The other entity, Tilney Asset Management Services Limited, met its requirement through a combination of Tier 1 and Tier 2 capital, with the Tier 2 capital being in the form of a subordinated loan. All regulated entities were in compliance with their regulatory capital requirements throughout the year.

Group requirements

The individual regulated entities benefit from Investment Firm Consolidation Waivers that mean, while they are required to meet their individual capital requirements as described above, the Group does not have to satisfy a Group regulatory capital requirement on a consolidated basis.

In managing the Group's regulatory capital position on a forward-looking basis, we allow for the risks relating to the defined benefit pension scheme, regulatory developments, and the demands of future acquisitions that are likely to generate additional goodwill and intangible assets and, therefore, directly reduce Tier 1 capital resources.

We keep these issues under constant review to ensure that any necessary capital requirements are satisfied. In addition, we monitor a range of capital and liquidity metrics on a monthly basis. Surplus capital and liquidity levels are forecast on a monthly basis, to ensure that appropriate buffers are maintained.

Strategic Report

Principal Risks and Uncertainties

At Tilney Group, risk management arrangements form part of a strong governance culture, built upon the three lines of defence governance model under which primary responsibility for identifying and controlling risks rests with the Group's businesses (the first line of defence). Ultimate responsibility for ensuring the adequacy and effectiveness of risk management rests with the Group Board, with oversight provided by the Board's Risk & Audit Committee (RAC).

The Group has a Risk & Compliance function which provides the second line of defence. The Risk & Compliance function is led by the Chief Risk Officer (CRO) who reports to the CEO, and has an independent reporting line to the Chairman of the Risk & Audit Committee and a right of access to the Chairman of the Board. The CRO sits on the Executive Committee and attends the Board's RAC.

The Executive Committee (ExCo) and the Board receive monthly reporting from the Chief Financial Officer on the performance of the Group against plans and budgets; this includes reporting on capital adequacy. Monthly reporting is also provided by the CRO. A quarterly review of key risks is provided to the Risk & Audit Committee. Where material changes to the business occur, the risk profile of the business is reviewed and consideration is given to whether the capital position remains adequate.

Action is taken where risks fall outside of the Group's risk appetite or where the need for remedial action is recognised in respect of any weaknesses identified in relation to mitigating controls.

The Group Risk Groupings sets out the six key risk types of most relevance to the Group (level 1 risks), namely strategic, legal & regulatory, business, financial, investment, and operational, and the level 2 risks that sit below each of these. In addition, conduct risk is closely monitored and considered as overarching of the Risk Groupings, at all levels, in their entirety. The level 1 risks and the key controls over each are summarised below.

Key Risk	Risk Description	Risk Mitigation
Strategic Risk	This is the risk of current or prospective impact on earnings or capital from inappropriate or defective strategy, failed implementation of business plans, strategies or decisions and/or lack of responsiveness to industry change, social change or geopolitical factors.	A three year business plan is in place and performance against the plan is tracked through the monthly Chief Financial Officer's (CFO) report which is reviewed at the Executive Committee and the Board.
Legal & Regulatory Risk	This is the risk of an adverse financial impact, reputational damage, a breakdown of the regulatory relationship or regulatory sanctions being imposed as a result of non-compliance with emerging and or existing regulatory requirements.	Compliance arrangements are in place and overseen by the compliance function under the CRO who is responsible for ensuring effective engagement with the Group's regulators, particularly the FCA. Responses are made to requests from regulators, including thematic reviews. Programmes are in place to prepare for regulatory changes. The Group also has US clients and so must comply with relevant SEC requirements. The requirements of the Central Bank of Ireland and the Guernsey FSC must also be met by the Irish and Guernsey companies.

Business Risk	This is the risk that business performance is below expectations due to negative variances in new business volumes, margins, regretted losses & expenses.	Variances to plan are tracked through the monthly CFO's report as mentioned above.
Financial Risk	This is the risk of fluctuations in the value of, or income from, assets as a result of market movements, counterparties failing to meet obligations or liquidity issues (cash insufficient to meet obligations as they fall due). It includes:	
	Market risk - The risk of market movements impacting the value of income and liabilities;	*Market risk* is assessed through regular stress testing by the Chief Investment Officer (CIO), the results of which are reviewed by the monthly Investment Governance Committee. The potential impact of severe macro-economic scenarios on capital is assessed as part of the ICAAP to ensure that capital is adequate to withstand such events.
	Credit risk - loss from failure of counterparties to meet financial obligations; and	*Credit risk* is not a significant risk for Tilney. The main risk is in relation to the failure of a material third party provider such as a custodian. Third parties are subject to oversight by the Operational Risk Committee as explained below.
	Liquidity risk - the risk that Tilney is unable to meet its liquidity requirements.	The only liquidity risk that the Group faces is cash flow. Tilney does not trade on its own account, and therefore does not have exposure to intra-day liquidity risk. Client money and assets are held separately. A liquidity risk management framework is in place under the oversight of the CFO who provides monthly reporting to the ExCo and the Board. The Group is subject to financial and regulatory covenants and compliance with these covenants is also reported in the monthly CFO's pack.
Investment Risk	This is the risk that clients' investments are not managed in accordance with agreed mandates and/or the Tilney investment philosophy.	Clients' investments are managed in accordance with client mandates. The Tilney investment philosophy and governance structure operate under the oversight of the CIO and the Investment Governance Committee.
Operational Risk	This is the risk of inadequate or failed internal processes, people, systems, and/or external events.	The monthly Operational Risk Committee provides oversight over the management of the key areas of operational risk across the business, including operational risk events and proposed mitigating actions, operational losses, data protection and information security, business

		continuity and material third party outsource providers. Financial crime risks including money laundering, fraud, bribery and corruption and tax evasion are considered by the monthly Financial Crime Committee. Appropriate insurance cover is in place including in respect of Professional Indemnity, Crime, and Directors and Officers liability. Specialist cover is in place in respect of a cyber-related incident.

Brexit

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

However, the direct operational impacts on our business from Brexit are minimal. Tilney is a UK regulated business with an overwhelmingly UK client base. We have no offices, no staff and no material dependencies on suppliers or people based in other EU countries. The Group already has a Dublin-domiciled fund range structured as an Irish collective asset management vehicle and qualifying as a Retail Investor Alternative Investment Fund, compliant with the EU AIFM regulations. Brexit will not therefore change the nature of the services we offer to the vast majority of our clients. Under all Brexit scenarios, clients will continue to need their long-term investments managed and our approach of investing on globally diversified, multi-asset basis will remain unchanged.

COVID-19 Coronavirus

The spread of the COVID-19 virus represents a significant near term risk to the global economy and is causing turbulence across global markets. For Tilney, the principal risks are from the impact on revenues should market levels and client assets decline and remain subdued for a prolonged period, the effect on client sentiment and new business volumes and the potential operational disruption from reduced staffing levels should the virus spread widely in the UK. We are monitoring the situation closely and have a robust Business Continuity Plan in place. We have invested in technology to enable our staff to work remotely from home and our multi-site approach to business functions provides us with the flexibility to relocate staff or operations across our UK office network if required. As a precautionary measure we have taken steps to reduce staff travel and to facilitate meetings by telephone, video conferencing and Skype. All client assets are held with third-party custodians and so we have also sought and received confirmation of their ability to continue operating in all eventualities, including staff being required to work remotely from home.

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Viability Statement

In accordance with the UK Corporate Governance Code, the Directors have assessed the prospects and viability of the Group over a three year period taking into account the risk assessments. As part of the viability statement the Directors confirm that they have carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity.

The Directors have determined that a three year period from 31 December 2019 to 31 December 2022 constitutes an appropriate period over which to provide its viability statement. The Directors consider five year projections as part of its annual regulatory reporting cycle and its opinion of the likelihood of risks materialising; however, the uncertainties associated with the future impact of investment markets on the business make a three year period more aligned with its detailed capital planning activity.

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they all fall due over the period to 31 December 2022.

Statement in Accordance with s172(1) Companies Act 2006

Throughout this report, we provide examples of how we comply with s.172(1) of the Companies Act 2006 by giving wide regard to long term strategy, employee interests, business relationships and our impact on community and the environment. The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole in the decisions taken during the year ended 31 December 2019.

We believe that effective corporate strategy is key to having a long-term beneficial impact on the Company and contributes to success in delivering a better quality service for our clients across the UK to 2022 and beyond. Our business model has received numerous awards (see page 16) and we will continue to operate our business within budgetary controls and in line with our regulatory requirements and targets.

Our employees are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The values, well-being and engagement of our employees is one of our primary considerations in the way we do business (see pages 12, 32 and 39).

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

Our business model took into account the impact of the company's operations on the community and environment and our wider societal responsibilities in the UK. Several of the proposed measures in our plan will deliver environmental improvements (see page 41).

Our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours (see pages 27 to 41) and in doing so, will contribute to the delivery of our model. The intention is to nurture our reputation, through both the construction and delivery of our model that reflects our responsible behaviour. We also intend to behave responsibly toward our members and treat them fairly and equally, so that they may benefit from the successful delivery of our model.

Strategic Report

Cautionary Statement

Where this document contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information. A number of factors, including those in this document, could cause actual results to differ materially from those contained in any forward-looking statement.

Approval

Approved by the Board on 11 March 2020 and signed on its behalf by:

Chris Woodhouse
Chief Executive Officer
Tilney Group Limited
Registered Number: 08741768
Registered Office: 6 Chesterfield Gardens, London, W1J 5BQ

Governance

Directors Biographies

Will Samuel – Chairman of the Board and Chairman of the Remuneration Committee

Will was appointed as the Chairman of Tilney Group Limited on 27^{th} January 2017. He is also the Chairman of John Laing PLC. Prior to this Will was Chairman of TSB Banking Group, Chairman of Howdens Joinery Group, Chairman of Ecclesiastical Insurance Group plc, Senior Advisor to Lazard & Co Ltd and Senior Advisor to the Prudential Regulation Authority (formerly the Financial Services Authority), a director of Schroders plc, Co-Chief Executive Officer at Schroder Salomon Smith Barney (a division of Citigroup Inc), Vice Chairman, European Investment Bank of Citigroup Inc., Chairman of H P Bulmer plc, Deputy Chairman of Inchcape plc, a Non-executive Director of the Edinburgh Investment Trust plc and a Trustee and Honorary Treasurer of International Alert. Mr Samuel is a Chartered Accountant and has a first class Honours Degree in Chemistry.

Chris Woodhouse – Chief Executive Officer

Chris was appointed as an Executive Director and the Group's Chief Executive Officer on 3^{rd} October 2017. Previously, Chris was the Chief Executive Officer of the UK motoring and financial services group RAC Limited. He has previously held senior management roles at a number of well-known UK brands including Debenhams, Halfords and Homebase. He is a Fellow of the Institute of Chartered Accountants and an Associate of the Association of Corporate Treasurers.

Andrew Baddeley – Chief Financial Officer

Andrew was appointed as an Executive Director and the Chief Financial Officer on 12^{th} September 2018. Andrew was previously at TP ICAP plc where he was the Group Chief Financial Officer. Prior to this he spent 18 years in the insurance industry, with positions including the Group Chief Financial Officer of Brit Insurance. He also spent ten years with leading firms PwC and Ernst & Young. Andrew is a Non-executive Director at Urban Exposure plc where he chairs the audit committee. Andrew is a Fellow of the Institute of Chartered Accountants and a member of the Chartered Institute of Taxation.

Philip Muelder – Non-executive Director

Philip was appointed as a Non-executive Director on 28^{th} March 2014. He is a Partner and Head of the Permira Financial Services team. Philip is also Head of the London Office at Permira. Prior to joining Permira in 2004, Philip worked as a strategy consultant at Bain & Company in London and Hong Kong. Philip has a Master's degree in Accounting and Finance from the London School of Economics and an MBA from Harvard Business School. Philip also serves as a Non-executive Director at Alter Domus, Duff & Phelps and Lowell.

Governance

James Fraser - Non-executive Director and Chairman of the Risk & Audit Committee

James was appointed as a Non-executive Director on 28th March 2014 and Chairman of the Risk & Audit Committee on 31st August 2019. He is a Senior Advisor to Permira and was a Partner and Co-Head of the Permira Financial Services team until January 2018. Prior to joining Permira in 2008, James was Co–Head of the Global Financial Services practice at L.E.K. Consulting where he spent 21 years, 11 of which as a Partner. James has an MBA from INSEAD and a degree in Computational Science from St. Andrews University.

Breon Corcoran – Independent Non-executive Director

Breon was appointed as an Independent Non-executive Director on 24th June 2015. He brings his experience and strategic insight in digital and online businesses to the Group. He is the Chief Executive Officer of WorldRemit Limited. Previously Breon was the Chief Executive Officer of Paddy Power Betfair plc, Chief Executive Officer of Betfair plc and Chief Operating Officer at Paddy Power. Breon is a graduate of Trinity College, Dublin and has an MBA from INSEAD.

Rehana Hasan – Group General Counsel and Company Secretary

Rehana is Group General Counsel and Company Secretary. She joined the Tilney Group in 2016 through the acquisition of the Towry Group. Rehana was appointed as the Company Secretary on 30th September 2016. She qualified as a solicitor in 2007, and trained with law firm Manches. Rehana's in-house career began with private equity firm Duke Street, moving on to work for the AIM-listed company Ashcourt Rowan, which was acquired by Towry in 2015

Governance

Directors' Report

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

Business Review and Activities

The principal activities of the Company are set out in the Strategic Report (pages 9 to 10). The information that fulfils the Companies Act 2006 requirements of the business review is included in the Strategic Report on pages 3 to 28. This includes a review of the development of the business of the Company during the year and of likely future developments in its business. Details of the principal risks and uncertainties are included in the Strategic Report.

Corporate Governance

The Directors remain committed to high standards of corporate governance and this report, together with the Strategic Report (pages 3 to 28) describes how the Group has developed its own governance arrangements reflecting elements of the UK Corporate Governance Code (the Code) and the Wates Corporate Governance Principles for Large Private Companies (Wates Principles) to the extent the Directors considered them to be proportionate and relevant to the Company. The Directors continue to ensure that the Group remains up to date with all corporate governance developments and best practice wherever practical.

Stakeholders

The Directors are clear that good governance and effective communication are essential on a day-to-day basis to deliver the Group's purpose and to protect the Company's brand, reputation and relationships with all our stakeholder community. The Group actively engages with its stakeholders throughout the business cycle and continues to review and be challenged on how it can improve engagement with its employees and stakeholders. The Group is committed to appropriate and proactive client and supplier care of the highest standards and undertakes ongoing feedback assessments which enables the Group to enhance its relationships and develop its plans. Continued enhancement, internal awareness of the need to communicate with all clients in a manner that meets the requirements of MiFID II and GDPR. We work with clients to ensure that relationships deliver investment performance and suitable advice.

Going Concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of twelve months from the date of this report. Therefore they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Dividends

The Directors do not recommend a payment of dividend in respect of the financial year ended 31 December 2019 (period ended 31 December 2018: £nil).

Directors

The Directors, who served throughout the reporting period as noted, were as follows:

W Samuel
J Asquith (Resigned 31 August 2019)
A Baddeley
B Corcoran
J Fraser
P Muelder
C Woodhouse

Governance

Directors' Responsibilities Statement

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

Company law requires the directors to prepare Group and Parent Company 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).

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 Group and Parent 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 Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- 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.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent 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 Group and to prevent and detect fraud and other irregularities.

Disclosure of Information to the Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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 s.418 of the Companies Act 2006.

On behalf of the Board on 11 March 2020:

Christopher Woodhouse

Chris Woodhouse
Chief Executive Officer
Tilney Group Limited
Registered Number: 08741768
Registered Office: 6 Chesterfield Gardens, London, W1J 5BQ

Independent auditor's report to the members of Tilney Group Limited

Opinion

We have audited the financial statements of Tilney Group Limited ("the Company") for the year ended 31 December 2019 which comprise the Group and Parent Company Income Statements, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Directors, such as recoverability of goodwill, valuation of intangibles, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardized firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

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

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

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

Strategic report and Directors' report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 34, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Governance

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

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

Thomas Brown

Thomas Brown (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

KPMG LLP
15 Canada Square
London
E14 5GL
[Date] 13 March 2020

Governance

Corporate Governance Report

Board Composition

Each Board member has a clear understanding of their accountability and responsibilities. The Board is responsible for leadership through effective oversight and review and is supported by the Board Committees. The Board sets the strategic direction for the Group in order to achieve its long term success. The Board meets regularly and provides direction and oversight of the business, monitors performance and risk management. The Board members all have the knowledge, talent and experience to perform the duties required of a director of the business. During the year, there were seven directors of the Company. The composition of the Board is set out on pages 29 and 30 and consists of an Independent Non-executive Group Chairman, Independent Non-executive Director, Non-executive Directors, the Chief Executive Officer and the Chief Financial Officer. The roles of the Chairman and Chief Executive Officer are separate to ensure that the balance of responsibilities, accountabilities and decision making across the Group are effectively maintained. The Chairman plays a pivotal role in creating the conditions for overall Board and individual director effectiveness.

All individuals must declare any potential conflicts of interest. Where there are potential conflicts, appropriate safeguards have been implemented.

The Board acknowledges that there is a relative lack of diversity on the Board and recognises that this is a challenge across the sector. The Board is committed to making the Company a more inclusive environment, thereby fostering a more diverse workforce which should help increase diversity at the most senior levels.

Independence

The Independent Non-executive director brings independent judgement to the Board and constructively challenges strategy and management performance.

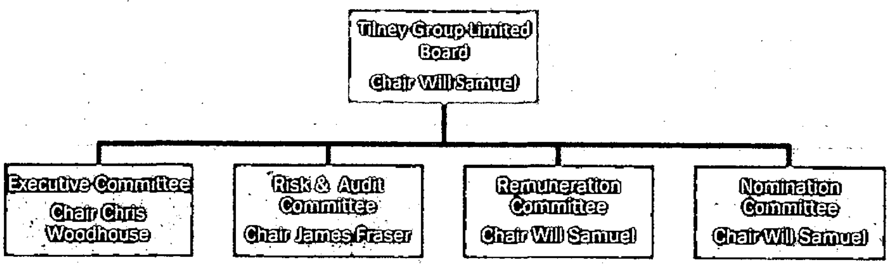
Board Attendance

Director	Meetings attended (eligible to attend)
Will Samuel (Chairman)	14 (15)
Andrew Baddeley	15 (15)
Breon Corcoran	15 (15)
James Fraser	14 (15)
Philip Muelder	15 (15)
Chris Woodhouse	15 (15)

Former Director	Meetings attended (eligible to attend)
Jonathan Asquith	11 (11)

Committees of the Board

Board Committees



Governance

The Board delegates certain responsibilities to the formal Board Committees, these comprise: the Executive Committee, the Risk & Audit Committee and the Remuneration Committee, who meet throughout the year. The Board receives regular reports from the Risk & Audit Committee and the Remuneration Committee chairmen.

Executive Committee

The Executive Committee has responsibility for the Group's day today management and supports the Chief Executive in the implementation of the Group's strategy. The Chief Executive Officer chairs the Executive Committee.

Risk & Audit Committee

Details of the Risk & Audit Committee are set out on pages 42 to 44.

Remuneration Committee

The Remuneration Committee has responsibility to review and approve the remuneration policy. The Committee exercises independent judgement on remuneration policies and practices. The Committee has clearly defined terms of reference and is responsible for making recommendations concerning the Group's remuneration strategy, recruitment framework and long-term incentive plans for Executive Directors, senior managers and other employees who are classed material risk takes under the FCA Remuneration Code. The Committee takes into account legislative requirements, best market practice and remuneration benchmarking, drawing on evidence across the sectors the Company operates in.

The Gender Pay Gap Report is referenced on page 32 of the Governance Report.

Nomination Committee

The Nomination Committee was established in late 2019 with the first committee meeting taking place in February 2020 where the Terms of Reference and membership were approved. The Nomination Committee will have responsibility to lead the process for Board appointments, ensure plans are in place for orderly succession to both Board and senior management positions and oversee the development of a diverse pipeline for succession.

Conflicts of Interest

The Board has a policy and procedures to manage, and where appropriate approve, potential or actual conflicts of interest. The Board considers and reviews the register of Conflicts of Interest on an annual basis. The register is kept and maintained by the Company Secretary.

Board Evaluation

The Board undertakes an evaluation of its performance on a regular basis. This provides an opportunity to consider ways of creating further efficiencies through an action plan and key areas of focus. The next Board Evaluation will take place in 2020.

Insurance

The Directors have been covered by liability insurance throughout the year and the insurance policy remains in force.

Community Investment and Community Engagement

As a Group we enable our clients to invest responsibly and we take the same approach by investing in our local communities as a good corporate citizen. We have a wealth of talent and experience within our business and we are keen to share this with the community and enable our employees to gain further personal and professional development by getting involved in community projects and activities.

Our community investment programme is delivered through our Giving Back programme and funded by the Tilney Charitable Trust ('TCT'). The TCT was established in 1979 and since then has donated over £3 million to local and national charities. The Trust has a strong heritage in providing funding to the charitable causes which our employees support.

Our Giving Back Programme is in place to:

- encourage and support volunteering participation from our employees, to contribute to employees' personal and professional development and enhance employee engagement;
- enhance our reputation as a responsible company with employees and external stakeholders at local, regional and national levels;
- encourage charitable giving and fundraising efforts for the benefit of our local communities; and
- embed good citizenship into all areas of the business.

Giving back at Tilney focuses on supporting:

- Employee Volunteering and Personal Development - We encourage and support our people to get involved in their local communities and at the same time develop their skills. We give all our employees paid time off to volunteer; and
- Giving to charity - We encourage our employees to give regularly to charity through our Payroll Giving scheme and match employee donations up to £20 per employee, per month. We also match our employees' fundraising efforts with donations of up to £250 for individuals and £1,000 for teams with additional matching available for national Tilney events through a donation from the Tilney Charitable Trust.

Since initiating our payroll giving scheme we have achieved both Gold and Platinum Payroll Giving Quality Mark Awards for our commitment to Payroll Giving.

We operate under an effective governance structure to protect our reputation, brand and our relationships with regulators and legislators, as well as our partners. Our Giving Back Committee leads and governs our approach to volunteering and charitable giving, agreeing the focus and policy for the Giving Back Programme and ensuring the programme contributes to the overall business strategy. The committee comprises of functional and regional employee representatives headed up by the Chair. The committee is also supported by dedicated 'Giving Back Coordinators' in local offices. The committee is responsible to the Tilney Charitable Trust Trustees, chaired by Paul Frame (Head of Investment Management - Scotland).

Environmental Sustainability

The Company manages the majority of environmental, social and governance topics, policies and procedures through its Operational and Executive Committees. Although the Group has a relatively low environmental impact, we seek to minimise this impact through ongoing improvements. Examples include large-scale recycling and initiatives to promote environmentally friendly offices and travel practices, such as 'follow me' printing and 'cycle to work' schemes. We have recently introduced a "paperless initiative" across our national business. Using digital tools, we are focussed on reducing our paper consumption materially, with an initial focus on "digital valuations" through our on-line portal My Tilney. This project is led by our staff and supported by the Executive committee.

We are also implementing other tools to digitise how we communicate and share data between our advisors and our clients; for example secure messaging through our client portal, and on line suitability reviews, both of which remove paper from our processes.

Environmental Statement

We understand our responsibilities to the environment and the wellbeing of both our staff and the communities in which we work. The operation of our offices and business travel are the primary sources of our emissions.

As part of our focus to control / reduce our energy consumption, our key initiatives include:

- improving the scope for recycling of typical office waste (paper, plastics bottles, cardboard etc.) while encouraging the reduction of plastic bottles/single use plastics;
- encouraging staff to place all waste paper in the confidential waste bins, which is then shredded and recycled securely;
- constantly working to improve the utilisation of our office space and reduce running costs per employee;
- work towards minimising our travel and our clients' travel while undertaking our business activities by using environmentally efficient technologies, including investment in video conference facilities; and
- enabling and supporting more clients to adopt paperless reporting, plus enhancing the content available via My Tilney, our secure online client portal.

Global Greenhouse Gas (GHG) Emissions

The table below summaries the energy consumption and global greenhouse gas (GHG) emissions for the Tilney Group for the period 1 January to 31 December 2019, measured in metric tonnes of carbon dioxide equivalent (tCO_2e).

	Tonnes of CO_2e	Tonnes of CO_2e
	Current reporting year	Comparison year
	2019	2018
Scope 1: Combustion of fuel & operation of facilities	64	79
Scope 2: Electricity, heat, steam and cooling purchased for own use	493	557
Emissions (Tonnes of CO_2e) per full-time employee	0.47	0.53

Scope 1 emissions are direct emissions from sources owned or controlled by us. Scope 2 emissions are emissions released into the atmosphere associated with our consumption of purchased electricity, heat, steam and cooling; these are indirect emissions that are a consequence of our activities but which occur at sources we do not own or control. We have not reported on other emissions associated with inputs to our company (such as emissions from our supply chain) or emissions linked with outputs from our company, generally considered as Scope 3 emissions.

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statement, with an operational approach being followed when defining our organisational boundary. We do not have responsibility for any emission sources that are not included in our consolidated statement. Where necessary due to the unavailability of meter readings, some energy consumption has been estimated using direct comparisons and pro-rata extrapolation.

We have used the HM Government Environmental Reporting Guidelines (March 2019) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2019 in calculating our emissions.

Tax Strategy

The Group's Tax Strategy has been made publicly available on our website www.tilney.co.uk, in accordance with the Finance Act 2016. Both the Risk & Audit Committee and the Board have reviewed and approved the Group's tax strategy. The strategy sets out the Group's governance in relation to tax compliance, risk management, attitude to arranging our tax affairs, and our relationship with the tax authorities. The Group's tax risk appetite is considered to be low.

Governance

Risk & Audit Committee Report

Role and Responsibilities

The Risk & Audit Committee ('Committee') has responsibility for monitoring the Group's financial reporting processes, consideration of the appointment of KPMG (the 'External Auditor') and their reports to the Board, review of the financial statements, reviewing and monitoring of internal controls, compliance monitoring and risk management processes and reviewing the internal audit programme.

Committee Members

From the beginning of September 2019, James Fraser has chaired the Risk & Audit Committee. Prior to this, Jonathan Asquith chaired the Committee until he stepped down as a director of the Company. The Members of the Committee are Will Samuel and James Fraser Who are both Non-Executive Directors. The Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Head of Internal Audit and the External Auditor attend the meetings by invitation. Other Non-Executive directors also attend the meetings of the Committee. Each Member of the Committee brings relevant skills and experience at a senior executive level. Other senior executives, such as the Chief Operating Officer and Head of Financial Planning, have also been invited to certain meetings to present and discuss specific items.

Risk & Audit Committee Attendance

Director	Meetings attended (eligible to attend)
James Fraser (Interim Chairman)	6 (6)
Will Samuel	5 (6)

Former Director	Meetings attended (eligible to attend)
Jonathan Asquith (Chairman)	4 (4)

Activities

The Committee has been delegated authority by the Board to:

- Monitor the integrity of the financial statements and review significant financial reporting judgements;
- Provide oversight of the implementation and review of risk management and internal control systems throughout the Group;
- Monitor and review the effectiveness of the Company's internal audit function;
- Review accounting policies to be utilised by the Group;
- Approve the Terms of Reference and membership of the Operational Risk Committee;
- Review and monitor whistleblowing;
- Consider and make recommendations to the Board on the appointment, reappointment and removal of external auditors; and
- Review the external auditors' independence and objectivity and the effectiveness of the external audit process.

A table is included at the end of this report setting out the topics that the Committee considered at their meetings during 2019. The following items in particular were discussed.

Governance

Merger with Smith & Williamson

At various stages as the transaction proceeded, the Committee received reports from executives including the Chief Risk Officer and the Chief Financial Officer detailing the findings of the due diligence carried out by the in-house teams and external advisers.

Annual Report and Financial Statements

The Committee reviewed and discussed the financial disclosures stated in the Annual Report and Financial Statements, with the letters of representation and reports from the External Auditor. The significant issues and judgements were also considered, together with accounting policies and treatments. This included particularly the carrying value of goodwill and other intangibles.

Principal Risks and Risk Appetite

In addition, the Committee reviewed and considered the Group's principal risks and risk appetite. The Committee receives regular Risk and Compliance updates from the Chief Risk Officer and other areas of focus consisted of the Internal Capital Adequacy Assessment Process ('ICAAP') (including Macro-economic Stress Testing), internal controls and risk management, risk appetite, compliance monitoring and regulatory updates including with respect to Senior Manager and Certification Regime ("SMCR") implementation.

Finance Infrastructure

The Committee reviewed the Group's financial platforms and concluded that the general ledger should be replaced with a more modern cloud-based platform. The Committee considered a number of proposed solutions, the project plans, and the testing carried out by the project team and Internal Audit before confirming the new system could be implemented.

Internal Controls

The Committee has considered reports from the Chief Risk Officer and the Head of Internal Audit on the risks faced by the Group and their assessment of the mitigating internal controls. Where improvements have been identified, progress in their implementation has been monitored by the Committee.

Internal and External Audit

Internal audit

Internal Audit is the Group's independent assurance function reporting directly to the Chairman of the Risk & Audit Committee. Internal Audit's remit is to provide an independent assessment of the Group's internal control systems, to report findings and recommendations for improvements to both management and the Risk & Audit Committee, and generally to advise the Committee on matters related to the internal control systems of the Group. The Head of Internal Audit is employed by the Company and on selected engagements he utilises the services of the function's co-source partner, Protiviti.

In December, in light of the expected completion in 2020 of the merger with Smith & Williamson, the Committee reviewed the Group's arrangements for Internal Audit. While confirming its preference for the co-source model, the Committee commenced a tender process for the provision of the co-source function. The Committee was pleased with the quality of the tenders and presentations received and determined to appoint BDO as its co-source internal audit provider, with such appointment taking effect from February 2020.

External audit

The Committee considered and approved the 2019 audit plan proposed by the Group and Company's external auditors prior to commencement of the audit. The Committee has discussed the audit findings with the external auditors and considered their independence.

During the period, in light of the expected completion in 2020 of the merger with Smith & Williamson, the Committee reviewed the role of the External Auditor and invited tenders from a number of leading firms of accountants. The Committee was pleased with the quality of the tenders and presentations received and determined to appoint KPMG as the auditor of the group.

Governance

The Committee met separately with the internal auditors and the external auditors in the year without the presence of management.

Whistleblowing Policy

The Committee regularly reviews the Group's whistleblowing policy and approves any changes that are required. All whistleblowing disclosures are treated seriously and investigated promptly and fairly.

Topics considered by the Committee at their meetings during 2019

Topic	March	April	July	July	September	December
Chief Risk Officer's Report	●			●		●
Risk Appetite		●				
ICAAP				●	●	●
Information Security	●			●		●
MLRO Report						●
SMCR				●	●	●
Brexit						●
Compliance Monitoring	●			●		●
Whistleblowing	●					
Financial Reporting	●			●	●	●
Significant Matters			●		●	●
Internal Controls	●			●		●
Internal Audit	●	●		●	●	●
External Audit	●	●		●	●	●
Tax Strategy						●
Operational Risk Committee / CASS	●	●		●	●	●

Tilney Group Limited
Financial Statements

Contents of financial statements

Consolidated income statement
For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Revenue	5	235,411	228,916
Cost of sales		(28,082)	(28,890)
Gross profit		207,329	200,026
Operating and administrative expenses			
- General		(179,619)	(170,409)
- Exceptional items: acquisition and integration costs	6	(6,729)	(6,987)
- Exceptional items: restructuring of investment funds	6	(3,239)	(246)
- Exceptional items: gain on disposal	6	-	483
Total operating and administrative expenses		(189,587)	(177,159)
Operating profit	7	17,742	22,867
Investment revenues	10	425	409
Finance costs	11	(27,232)	(37,600)
Loss before tax		(9,065)	(14,324)
Tax credit	12	180	2,587
Loss for the year	7	(8,885)	(11,737)

The notes set out on pages 52 to 91 form an integral part of these financial statements.

Consolidated statement of comprehensive income

As at 31 December 2019

	Note	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Loss for the year		(8,885)	(11,737)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of the net defined benefit asset	28	2,168	(1,007)
Total comprehensive loss for the year		(6,717)	(12,744)

The notes set out on pages 52 to 91 form an integral part of these financial statements.

Consolidated balance sheet
As at 31 December 2019

	Note	31 December 2019 £000	31 December 2018 £000
Non-current assets			
Goodwill	13	369,603	366,926
Other intangible assets	14	408,242	431,559
Property, plant and equipment	15	19,070	19,830
Investment in associate	16	-	-
Other investments	17	-	61
Derivative financial instruments	21	210	-
Retirement benefit asset	28	2,825	164
Total non-current assets		799,950	818,540
Current assets			
Trade and other receivables	18	40,975	42,047
Current tax		3,258	1,982
Cash and cash equivalents	27	64,988	60,801
Derivative financial instruments	21	-	34
Total current assets		109,221	104,864
Total assets		909,171	923,404
Current liabilities			
Trade and other payables	19	(41,080)	(43,947)
Borrowings	23	(17,397)	(7,901)
Provisions	24	(2,991)	(1,101)
Total current liabilities		(61,468)	(52,949)
Net current assets		47,753	51,915
Non-current liabilities			
Borrowings	23	(385,852)	(398,006)
Deferred tax liabilities	22	(59,404)	(63,334)
Long-term provisions	24	(2,523)	(2,474)
Total non-current liabilities		(447,779)	(463,814)
Total liabilities		(509,247)	(516,763)
Net assets		399,924	406,641

Consolidated balance sheet (continued)
As at 31 December 2019

	Note	31 December 2019 £000	31 December 2018 £000
Equity			
Share capital	25	43,768	43,768
Share premium account		398,102	398,102
Retained earnings		(41,946)	(35,229)
Total equity		399,924	406,641

The notes set out on pages 52 to 91 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 11 March 2020.

They were signed on its behalf by:

Christopher Woodhouse

C Woodhouse
Chief Executive Officer
Tilney Group Limited
Registered Number: 08741768
Registered Office: 6 Chesterfield Gardens, London, W1J 5BQ

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Note	Share capital £000	Share premium account £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018		43,768	398,102	(12,485)	429,385
Loss for the year		-	-	(11,737)	(11,737)
Other comprehensive loss for the year		-	-	(1,007)	(1,007)
Total comprehensive loss for the year		-	-	(12,744)	(12,744)
Reassessment of goodwill	13	-	-	(10,000)	(10,000)
Balance at 31 December 2018		43,768	398,102	(35,229)	406,641
Loss for the year		-	-	(8,885)	(8,885)
Other comprehensive income for the year		-	-	2,168	2,168
Total comprehensive loss for the year		-	-	(6,717)	(6,717)
Balance at 31 December 2019		43,768	398,102	(41,946)	399,924

The notes set out on pages 52 to 91 form an integral part of these financial statements.

Consolidated cash flow statement
For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Net cash from operating activities	27	55,902	68,022
Investing activities			
Interest received		178	74
Acquisition of subsidiary	26	(2,934)	-
Acquisition of business	26	(8,200)	-
Additions to intangible assets		(7,453)	(9,464)
Additions to property, plant and equipment		(3,064)	(2,720)
Loan to associate		-	(110)
Proceeds from disposal of unlisted investment		61	-
Net cash used in investing activities		(21,412)	(12,220)
Financing activities			
Interest paid		(23,168)	(24,365)
Repayments of borrowings		(3,250)	(406,000)
Payment of lease liabilities		(3,632)	(3,658)
Proceeds from borrowings		-	400,000
Refinancing costs		(43)	(13,904)
Cash outflow for derivative financial instruments		(210)	-
Net cash used in financing activities		(30,303)	(47,927)
Net increase/(decrease) in cash and cash equivalents		4,187	7,875
Cash and cash equivalents at beginning of the year		60,801	52,926
Cash and cash equivalents at end of the year	27	64,988	60,801

The notes set out on pages 52 to 91 form an integral part of these financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2019

1. General information

Tilney Group Limited (the "Company") is a company incorporated in the United Kingdom under the Companies Act and the immediate UK holding company of the Tilney group of companies (the "Group"). The address of the registered office is given on page 28. The nature of the Group's operations and its principal activities are set out in in the Strategic Report on pages 3 to 28.

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

The accompanying notes form part of these financial statements.

2. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier adoption is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- *Amendments to References to Conceptual Framework in IFRS Standards.*
- *Definition of a Business (Amendments to IFRS 3).*
- *Definition of Material (Amendments to IAS 1 and IAS 8).*

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below. Unless otherwise stated, they have been applied consistently to all periods presented in the financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

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

After making comprehensive enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of these financial statements. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts. Matters considered in making this assessment include the Group's latest budget and forecasts, current and forecast compliance with banking covenants and regulatory capital requirements, and the results of sensitivity analysis and stress testing.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is treated as having an indefinite life and is therefore not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. The Group considers that the business is one single cash generating unit, this being Wealth Management. It is not possible to divide the business into smaller assets that generate independent cash flows, and management monitor the Group's operations based on the performance of the business as a whole.

The cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

3. Significant accounting policies (continued)

Investment in associate

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of identifiable assets and liabilities of the investee is recognised as goodwill which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is based on the value in use of the asset. This is assessed on expected revenue generation less any servicing costs together with recent experience. A post tax discount rate of 9% (2018: 10%) has been applied to the resulting forecast cash flows.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Revenue recognition

Revenue is measured at the amount expected to be received or receivable to which the Group is entitled and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue represents commissions receivable and fees receivable for the provision of investment advice, investment management and advisory services.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

3. Significant accounting policies (continued)

Revenue recognition (continued)

Commissions receivable includes estimates of amounts receivable yet to be received at year end. Investment management fees receivable includes estimates of amounts contractually due from clients yet to be invoiced.

Commissions and distribution fees payable to third parties are presented as cost of sales. Cost of sales also includes amounts payable for custody fees and SIPP administration fees.

Dividend and interest revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

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

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of twelve months or less.

The Group recognises the right-of-use asset and the lease liability at the lease commencement date.

Lease liabilities are initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement date of the lease is used.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and reduce for lease payments.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease, initial direct costs incurred and the amount of any provision recognised where the Group is required to dismantle, remove or restore the asset. Additionally, they may be remeasured to reflect reassessment due to lease modifications.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. Additionally, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

If the Group revises its estimate of the term of any lease, it will adjust the carrying amount of the lease liability to reflect the payments to be made over the revised term, discounted at the revised discount rate. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the consolidated balance sheet.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

3. Significant accounting policies (continued)

Retirement benefit costs

The Group operates a defined contribution pension scheme. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. As part of a flexi-benefit scheme, the Group also offers employees the option of having part of their remuneration as payments into a defined contribution pension scheme. The pension cost charge in the profit and loss account represents contributions payable by the Group into individuals' personal pension arrangements.

The Group also participates in a group defined benefit scheme which is the legal responsibility of the ultimate parent as the sponsoring employer. There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19 (Revised 2011), the Group recognises a cost equal to its contribution payable for the period, which is presented within other operating expenses in the profit and loss account.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income in the period in which they occur. Remeasurement recorded in the statement of comprehensive income is not recycled. Usual practice in the UK is for the remeasurement included in the statement of comprehensive income to be taken to retained earnings but this is not a requirement of the standard. Past service cost is recognised in profit or loss in the period of scheme amendment. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- current service cost, past-service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurement.

The Group presents current service cost, past service cost and settlements within administrative expenses in its consolidated income statement. Curtailments gains and losses are accounted for as past service cost.

Net interest expense or income is recognised within finance costs (see note 11).

The retirement benefit obligation recognised in the consolidated balance sheet represents the deficit or surplus in the Company's defined benefit schemes. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the schemes or reductions in future contributions to the schemes.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

3. Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and movements in deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Tangible fixed assets

Fixtures, fittings and equipment and right-of-use assets are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Fixtures, fittings and equipment 25% - 33% per annum straight line

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

Tangible fixed assets (continued)

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Other intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of the changes in estimate being accounted for on a prospective basis.

Other intangible assets that have arisen in relation to the Group's acquisitions of subsidiaries comprise of customer lists, funds databases, trademarks and IFA relationships. Such assets are assessed and capitalised when it is probable that future economic benefits attributable to the assets will flow to the Group and the costs of the assets can be measured reliably. They have an average remaining amortisation period of 9.9 years.

The business operating model and other business development comprises internally generated intangible assets that meet the requirements of IAS 38 Intangible Assets and have been capitalised. These systems were implemented in phases while development continued, hence costs have been transferred to assets in use and amortisation commenced in a way that matches this phased roll out.

Amounts payable under earnout agreements have been capitalised as costs of obtaining contracts under IFRS 15 and are included within customer lists. These contract assets will be amortised over the period for which future economic benefits are expected to be received.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Initial recognition of trade receivables is at their transaction price if the trade receivables do not contain a significant financing component.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified as financial assets 'at fair value through profit or loss' (FVTPL).

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets 'being subsequently measured at amortised cost'. These are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are measured at fair value, net of transaction costs, subsequently measured at amortised cost.

Derivative financial instruments

The Group has taken out a forward interest rate cap to manage its exposure to interest rate and market movement. Further details of derivative financial instruments are disclosed in note 29.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements and estimates that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Impairment of goodwill

Determining whether goodwill is impaired is based on Fair Value less Cost to Sell, and judgement of completeness, existence and valuation. The carrying amount of goodwill at the balance sheet date was £369.6 million. No impairment loss was recognised during the period. Please refer to note 13 for assumptions and estimation uncertainties.

Useful lives of intangible asset

As described in note 3, the Group reviews the estimated useful lives of intangible assets at the end of each reporting period. The estimated useful lives (note 14) are based on management's best estimate and a decrease of 1 year in the useful life of the intangible assets would result in a £5.5 million increase in the amortisation for the current year. An assessment has been made for each intangible asset as to whether there are any indicators of impairment that would require a full impairment review to be undertaken.

Fair value of acquisitions

The Group has included the assets and liabilities of the entities acquired during the period in its consolidated balance sheet at the date of acquisition at their fair values. The fair values of assets and liabilities acquired are different in a number of instances from the values shown in the entities' own financial statements. This is due to the application of different accounting policies in these financial statements or the application of fair valuation principles to assets and liabilities recorded by the entities under other bases such as historical cost (for instance due to discounting requirements of acquisition accounting).

Intangible assets acquired separately

Goodwill and intangibles have arisen in relation to the Group's acquisitions of subsidiaries and are represented by the difference between the consideration paid and net of acquisition amounts of the identifiable assets acquired and liabilities assumed. The Group is required to assess annually, or more often if there is an indication of impairment, the carrying value of goodwill and intangibles. It does this by assessing the future cash flows generated by the business units to which the goodwill and intangibles have been allocated and by discounting those cash flows to assess whether the discounted value is higher or lower than the carrying value of the related goodwill or intangibles. Management judgement is applied, in particular, in the initial allocation of goodwill to cash-generated units, in assessing future cash flows and in determining discount rates. Please refer to note 13 for assumptions and estimation uncertainties.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

5. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Discretionary investment management	187,735	182,937
Advisory investment management	17,004	18,037
Execution only	10,368	10,044
Financial planning	20,304	17,898
Total revenue as disclosed in the consolidated income statement	235,411	228,916
Investment revenue (see note 10)	425	409
	235,836	229,325

6. Exceptional items

Exceptional costs are all costs that are incurred by the Group that are not incurred in the ordinary course of the Group's operations and are disclosed separately in the financial statements.

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Acquisition and integration costs	6,729	6,987
Restructuring of investment funds	3,239	-
Other costs	-	246
Gain on disposal	-	(483)
	9,968	6,750

Acquisition and integration costs in 2019 include amounts relating to the proposed merger with Smith & Williamson, mainly legal and professional fees. Also included are amounts relating to the acquisitions of Index Wealth Management and Moore Stephens, including the deferred element of consideration to the extent that this requires the individuals to remain in employment, and is therefore accounted for as remuneration for post combination services. Integration activity in 2019 relates to the continuing integration of the Towry and Tilney businesses, mainly in respect of custodian rationalisation. Activity in 2018 related mainly to the integration of the Towry business, as well as costs relating to investigating potential acquisitions that did not proceed, including due diligence and legal fees.

A restructuring of the investment funds was undertaken during 2019. This activity was part of the integration plan when the Towry business was acquired by Tilney in 2016, but was deferred to allow other activities to be focused on. The restructuring was undertaken during 2019 to both rationalise the fund structures offered following the Towry acquisition, and to ensure that the funds would not be adversely impacted by Brexit.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

7. Operating and administrative expenses

Operating and administrative expenses include the following:

	Year ended 31 December 2019 £000	As restated Year ended 31 December 2018 £000
Depreciation of property, plant and equipment		
- owned	2,225	1,973
- leased assets	3,649	3,369
Amortisation of intangible assets included in other operating expenses	46,354	43,984
Loan to associate written off	-	110
Impairment of intangible asset	-	2,032
Property, plant and equipment written off	16	-
Staff costs (see note 9)	90,039	82,694

8. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	51	51
Fees payable to the Company's auditor for other services to the Group		
- the audit of the Company's subsidiaries	294	327
- Audit-related assurance services	122	137
Total audit and audit related assurance fees	467	515
- Taxation compliance services	6	-
- Other taxation advisory services	5	-
- Other services	7	61
Total non-audit fees	18	61
Total fees	485	576

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

9. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2019 Number	2018 Number
Financial Advice and Investment Management	346	332
Support staff	881	865
	1,227	1,197

Their aggregate remuneration comprised:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Wages and salaries	74,956	69,017
Social security costs	8,885	8,142
Other pension costs (see note 28)	6,198	5,535
	90,039	82,694

10. Investment revenue

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Interest revenue:		
Bank deposits	178	75
Other loans and receivables	247	334
Total investment revenue	425	409

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

11. Finance costs

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Interest on bank overdrafts and loans	25,875	36,532
Interest payable to parent companies	198	176
Interest on lease payments	711	809
Total interest expense	26,784	37,517
Fair value loss/(profit) arising on derivatives	34	90
Unwinding of discount on deferred payments (note 26)	417	-
Net interest expense on defined benefit obligation	(3)	(7)
Total finance costs	27,232	37,600

12. Tax

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Corporation tax:		
Current year	8,275	6,060
Adjustment in respect of prior years	(1,335)	(1,984)
	6,940	4,076
Deferred tax (note 22):		
Current year	(8,212)	(8,389)
Adjustment in respect of prior period	1,055	1,717
Effect of changes in tax rates	37	9
	(180)	(2,587)

Corporation tax is calculated at 19 per cent (2018: 19 per cent) of the estimated taxable profit for the year.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

12. Tax (continued)

The credit for the year can be reconciled to the loss before tax in the income statement as follows:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Loss before tax on continuing operations	(9,065)	(14,324)
Tax at the UK corporation tax rate of 19% (2018: 19%)	(1,722)	(2,721)
Adjustment in respect of prior year	(285)	(267)
Non-deductible expenses	1,750	892
Effects of other tax rates	95	108
Group relief	(8)	(9)
Amounts not recognised	(10)	(842)
Other permanent differences	-	252
Tax credit for the year	(180)	(2,587)

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

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
Movement in pension liability	(509)	252
Total income tax recognised in Other comprehensive income	(509)	252

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

13. Goodwill

	Positive Goodwill £000
Cost	
At 1 January 2018	376,923
Reassessment of goodwill on acquisition during 2016	(10,000)
At 31 December 2018	366,926
Recognised on acquisition of subsidiary	2,677
At 31 December 2019	369,603

Additions to goodwill during the year are in respect of the acquisition of the Index Wealth Management group and the business of Moore Stephens.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination.

Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2019 £000	2018 £000
Cash generating unit:		
Wealth Management	369,603	366,926

The Group tests annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of goodwill allocated to the CGUs are determined from fair value less costs to sell calculations. The key assumptions used in respect of these calculations are the multiple applied to the consolidated EBITDA of the Group to derive an enterprise value, and the estimated costs of sale. The EBITDA figures used include both the actual result for the last twelve months, and the forecast result for the next 12 months.

The multiple applied is based on both an analysis of recent transactions and on a comparison of listed companies in the wealth management sector. A marketability discount has been applied against multiples relating to listed peers to reflect the limited number of potential acquirers for the business as a whole.

Costs to sell are based on previous transactions, and are not considered significant in the context of expected sales proceeds.

A number of sensitivities were carried out to test the level at which an impairment charge would need to be recognised, supporting the conclusion that no impairments should be made. This included reducing the EBITDA multiple and increasing the marketability discount.

As a result of the above no impairments have been made during the year.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

14. Other intangible assets

	Customer lists £000	Funds database £000	Trademark £000	IFA Relationship £000	Trading platform £000	Business operating model £000	Other business development £000	Total £000
Cost								
1 January 2018	520,444	1,095	3,400	6,700	2,600	16,160	-	550,399
Additions	1,734	292	-	-	364	6,537	537	9,464
Impairment	(2,032)	-	-	-	-	-	-	(2,032)
At 31 December 2018	520,146	1,387	3,400	6,700	2,964	22,697	537	557,831
Arising on acquisition	15,584	-	-	-	-	-		15,584
Additions	1,628	668	-	-	-	1,540	3,617	7,453
At 31 December 2019	537,358	2,055	3,400	6,700	2,964	24,237	4,154	580,868
Accumulated amortisation								
1 January 2018	77,749	310	629	1,760	961	879	-	82,288
Charge for the year	41,113	186	170	515	275	1,725	-	43,984
At 31 December 2018	118,862	496	799	2,275	1,236	2,604	-	126,272
Charge for the year	43,362	186	170	515	258	1,683	180	46,354
At 31 December 2019	162,224	682	969	2,790	1,494	4,287	180	172,626
Carrying amount								
At 31 December 2019	375,134	1,373	2,431	3,910	1,470	19,950	3,974	408,242
At 31 December 2018	401,284	891	2,601	4,425	1,728	20,093	537	431,559

Amounts of £10.3 million relating to Moore Stephens and £5.3 million relating to Index Wealth Management are included in intangibles arising on acquisition.

Intangible assets are amortised over their estimated useful lives as follows:

	Average number of years 2019	Average number of years 2018
Customer lists	13.1	13.4
Funds database	6.3	6.3
Trademark	20.0	20.0
IFA relationship	13.0	13.0
Trading platform	15.0	15.0
Business operating model	10.0	10.0
Other business development	3.7	4.0

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

15. Property, plant and equipment

	Fixtures and fittings £000	Right-of-use assets £000	Total £000
Cost			
At 1 January 2018	9,735	33,390	43,125
Additions	2,720	1,115	3,835
At 31 December 2018	12,455	34,505	46,960
Additions	3,064	1,901	4,965
Acquired with subsidiary	95	-	95
Disposals	(4,512)	(900)	(5,412)
At 31 December 2019	11,102	35,506	46,608
Accumulated depreciation			
At 1 January 2018	5,434	16,354	21,788
Charge for the year	1,973	3,369	5,342
At 31 December 2018	7,407	19,723	27,130
Acquired with subsidiary	75	-	75
Disposals	(4,495)	(1,046)	(5,541)
Charge for the year	2,225	3,649	5,874
At 31 December 2019	5,212	22,326	27,538
Carrying amount			
At 31 December 2019	5,890	13,180	19,070
At 31 December 2018	5,048	14,782	19,830

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

16. Investment in associate

The Group holds a 50% interest in Saga Investment Services Limited. The other 50% is held by Saga plc. While the Group considers that the operating spirit and modus operandi of its investment is in the nature of a joint venture, due to certain rights available to Saga plc the investment is required to be accounted for as an associate.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are only recognised to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

	2019 £000	2018 £000
Unquoted investment at cost	154	154
Impairment	(154)	(154)
	-	-

Details of the Group's associate at the end of the year is as follows:

Name	Place of incorporation and principal place of business	Class of share	Proportion of ownership interest %	Proportion of voting power held %
Saga Investment Services Limited	Enbrook Park, Sandgate, Folkestone, Kent, CT20 3SE United Kingdom	£1.00 Ordinary	50	50

The above associate is accounted for using the equity method in these consolidated financial statements.

The associate is currently in the process of being wound up.

17. Other investments

	2019 £000	2018 £000
Unlisted investment	-	61

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

18. Trade and other receivables

	2019 £000	2018 £000
Amounts falling due within one year		
Amount receivable for services rendered	11,368	6,586
Amounts owed by parent undertakings	659	3,933
Loans to third parties	173	-
Other debtors	1,598	5,317
Prepayments and accrued income	25,275	24,583
	39,073	40,419
Amounts falling due after more than one year		
Loans to third parties	1,902	1,848
Impairment	-	(220)
	1,902	1,628
Total trade and other receivables	40,975	42,047

Receivables are considered to be held within a held-to-collect business model consistent with the Group's continuing recognition of receivables.

19. Trade and other payables

	2019 £000	2018 £000
Trade creditors	464	1,970
Amounts owed to parent undertakings	5,291	5,842
Other taxes and social security	4,581	5,553
Other creditors	4,728	4,023
Accruals and deferred income	26,016	26,559
	41,080	43,947

An amount of £1.4 million for deferred payments relating to the acquisition of Index Wealth Management is included in Other creditors.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

20. Leases

The Group's leases include property and equipment. These right-of-use assets are disclosed in note 15.

Information about leases for which the Group is a lessee is presented below.

Lease Liabilities

Lease liabilities are included in 'loans and borrowings' in the consolidated balance sheet.

	2019 £000	2018 £000
Maturity analysis – contractual undiscounted cash flows		
Within one year	4,539	4,246
In the second to fifth years inclusive	12,094	14,919
After more than five years	1,193	625
Total undiscounted lease liabilities at 31 December	17,826	19,790
Lease liabilities included in the balance sheet at 31 December		
Current	3,963	3,599
Non-current	12,326	14,545
	16,289	18,144

Amounts recognised in the profit or loss

	2019 £000	2018 £000
Interest on lease liabilities	711	809

Amounts recognised in the statement of cash flows

	2019 £000	2018 £000
Total cash outflow for leases	3,632	3,658

21. Derivative financial instruments

	Non-current 2019 £000	2018 £000	Current 2019 £000	2018 £000
Financial assets carried at fair value through profit or loss (FVTPL):				
Held for trading derivatives that are not designated in hedge accounting relationships: Interest rate cap	210	-	-	34

Derivative financial instruments are all classified as level 2 under the fair value hierarchy.

Further details of derivative financial instruments are provided in note 29.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

22. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Decelerated capital allowances £000	Retirement benefit obligations £000	Tax losses £000	Provisions £000	Interest expense £000	Leases £000	Intangible assets £000	Total £000
At 1 January 2018	2,957	323	1,891	213	1,178	-	(76,811)	(70,249)
Tax rate change	-	(2)	-	-	-	-	-	(2)
Adjustment in respect of prior period	16	-	-	-	-	-	-	16
Charge/(credit) to profit or loss	(700)	(601)	(614)	(76)	(34)	842	7,832	6,649
Charge to other comprehensive income	-	252	-	-	-	-	-	252
At 31 December 2018	2,273	(28)	1,277	137	1,144	842	(68,979)	(63,334)
Acquired with subsidiary	(4)	-	-	-	-	-	(2,677)	(2,681)
Adjustment in respect of prior period	(131)	-	23	7	(954)	-	-	(1,055)
Charge/(credit) to profit or loss	(161)	44	(310)	13	772	(227)	8,044	8,175
Credit to other comprehensive income	-	(509)	-	-	-	-	-	(509)
At 31 December 2019	1,977	(493)	990	157	962	615	(63,612)	(59,404)

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £000	2018 £000
Deferred tax liabilities	(64,105)	(68,979)
Deferred tax assets	4,701	5,645
	(59,404)	(63,334)

As of 31 December 2019, the estimated deferred tax asset not recognised in the financial statements due to uncertainty of realisation, is as follows:

	2019 £000	2018 £000
Decelerated capital allowances	2,321	2,323
Tax losses	45,840	44,079
	48,161	46,402

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

23. Borrowings

	2019 £000	2018 £000
Unsecured borrowing at amortised cost		
Loans from parent companies	3,500	3,500
Secured borrowing at amortised cost		
Bank loans	383,460	384,263
Lease liabilities (see note 20)	16,289	18,144
Total borrowings	403,249	405,907
Amount due for settlement within 12 months	17,397	7,901
Amount due for settlement between 1 and 5 years	51,190	52,919
Amount due for settlement after 5 years	334,662	345,087

The other principal features of the Group's borrowings are as follows.

(i) The Company has a £400 million term loan and £25 million revolving facilities agreement with HSBC plc and a number of other lenders. Transaction costs of £15.8 million have been netted against the bank loan and are to be amortised over the length of the loan. The facilities agreement applies a single covenant test, which sets a maximum ratio for net debt to EBITDA. Management monitor this leverage ratio on a monthly basis, and the Group has been in compliance with the covenant test throughout the year.

(ii) The discount rates used to measure the present value of the lease liabilities are based on the Group's borrowing costs at the date of inception of each lease, after adjusting for the term of the lease and the level of security available.

(iii) The Company has a loan agreement with Violin Equityco Limited, a parent undertaking whose results are not consolidated in these financial statements. This balance is eliminated on consolidation in the Violin Topco Limited consolidated financial statements. The loan was taken out on 10 November 2015. The loan carries an interest rate at 5% above 3 months LIBOR.

The weighted average interest rates paid during the year were as follows:

	2019 %	2018 %
Bank loans	5.6736	5.9470
Loans from parent companies	5.8992	5.6697
Lease payments	4.2688	4.3585

All financing fees are recognised in the profit or loss in the period in which they are incurred.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

24. Provisions

	2019 £000	2018 £000
Provision for lapsed policies	18	28
Contingent consideration	2,481	522
Client redress provision	475	544
Integration provision	35	35
Tax accelerated payment notice liabilities	838	838
Dilapidations	1,667	1,608
	5,514	3,575
Current	2,991	1,101
Non-current	2,523	2,474
	5,514	3,575

	Long term incentive scheme £000	Indemnity clawbacks £000	Contingent consideration £000	Client redress £000	Accelerated payment notices £000	Dilapidations £000	Total £000
At 1 January 2018	36	63	5,220	691	877	1,537	8,424
New provisions recognised	-	-	-	-	-	71	71
Utilisation of provision	(36)	-	(5,086)	(147)	(39)	-	(5,308)
Charge to profit and loss account	-	-	388	-	-	-	388
At 31 December 2018	-	63	522	544	838	1,608	3,575
New provisions recognised	-	-	2,481	-	-	249	2,730
Utilisation of provision	-	-	(393)	(69)	-	(190)	(652)
Credit to profit and loss account	-	(10)	(129)	-	-	-	(139)
At 31 December 2019	-	53	2,481	475	838	1,667	5,514

The contingent consideration relates to an earn-out payment in respect of the purchase of the wealth management business of Moore Stephens. Amounts are expected to be payable between 2020 and 2022.

A client redress provision is held in relation to legacy issues in acquired businesses that may give rise to compensation payments in the future.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

25. Share capital

	£000
Issued and fully paid:	
Balance at 31 December 2018	
437,680,652 ordinary shares of £0.10 each	43,768
Balance at 31 December 2019	
437,680,652 ordinary shares of £0.10 each	43,768

The Group has one class of ordinary shares which carry no right to fixed income.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

26. Acquisitions

Moore Stephens

On 18 January 2019, the Group acquired the wealth management business of Moore Stephens through a Business Purchase Agreement. The total consideration payable in relation to the business combination is expected to be £10.7 million.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	£000
Identifiable intangible assets	10,264
Net assets acquired	10,264
Total consideration	10,681
Discounted due to deferred payments	(417)
	10,264
Less: net assets acquired	(10,264)
Deferred tax liability recognised on acquisition	1,765
Goodwill on acquisition	1,765
Satisfied by:	
Cash	8,200
Deferred consideration	2,481
Total consideration	10,681
Net cash outflow arising on acquisition	
Cash consideration	8,200

Acquisition-related costs (included in exceptional costs) amount to £0.2 million.

The Moore Stephens wealth management business contributed £2.7 million revenue and £0.7 million of operating profit to the Group for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2019, total revenue for the year from this acquisition would have been £2.8 million and the operating profit would have been £0.8 million.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

26. Acquisitions (continued)

Index Wealth Management

On 27 March 2019, the Group acquired 100 per cent of the issued share capital of Index WM (Holdings) Limited (IWM) and its subsidiary undertakings Index Fund Advisors Limited and Index WM EBT Limited.

IWM is a Midlands based discretionary investment manager responsible for £243 million of client assets for a combination of high net worth and ultra-high net worth clients. The Group purchased IWM mainly to achieve expansion in the high net worth and ultra-high net worth markets and to complement the Group's existing investment management capability.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	£000
Financial assets	1,874
Property, plant and equipment	20
Financial liabilities	(1,708)
Identifiable intangible assets	5,320
Net assets acquired	5,506
Total consideration	5,506
Less: net assets acquired	(5,506)
Deferred tax liability recognised on acquisition	912
Goodwill on acquisition	912
Satisfied by:	
Cash	3,906
Equity	1,600
Total consideration	5,506
Net cash outflow arising on acquisition	
Cash consideration	3,906
Less: cash and cash equivalent balances acquired	(972)
	2,934

Acquisition-related costs (included in exceptional costs) amount to £0.3 million.

The Index Wealth Management group contributed £2.3 million revenue and £0.4 million of profit to the Group for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2019, total revenue for the year would have been £2.8 million and the operating loss would have been £0.6 million.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

27. Notes to the cash flow statement

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Loss for the year	(8,885)	(11,737)
Adjustments for:		
Investment revenues	(425)	(409)
Finance costs	27,198	37,510
Fair value (gain)/loss arising from derivatives	34	90
Tax charge/(credit)	(180)	(2,587)
Depreciation of property, plant and equipment	5,874	5,342
Property, plant and equipment written off	16	-
Amortisation of intangible assets	46,354	43,984
Impairment of intangible asset	-	2,032
Loan to associate written off	-	110
Expense recognised in respect of pension	75	578
Operating cash flows before movements in working capital	70,061	74,913
Decrease in receivables	1,981	2,890
(Decrease)/increase in payables	(6,113)	5,170
Decrease in provisions	(790)	(5,609)
Cash generated by operations	65,139	77,364
Contributions to pension scheme	(59)	(1,719)
UK corporation tax paid	(8,432)	(6,804)
Interest paid	(746)	(819)
Net cash from operating activities	55,902	68,022

Cash and cash equivalents

	2019 £000	2018 £000
Cash and bank balances	64,988	60,801
Bank overdrafts	-	-
	64,988	60,801

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

27. Notes to the cash flow statement (continued)

Purchase of property, plant and equipment is financed through:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Cash	3,064	2,720
Leases	1,777	1,042
	4,841	3,762

Analysis of changes in net debt

	1 January 2019 £000	Cash flow £000	Acquisitions and disposals £000	Fair value gains and losses £000	Other non-cash movements £000	31 December 2019 £000
Cash and bank balances	60,801	3,215	972	-	-	64,988
Other investments	61	(61)	-	-	-	-
Derivative Financial Instruments	34	210	-	(34)	-	210
Leases	(18,144)	3,632	-	-	(1,777)	(16,289)
Borrowings	(387,763)	26,461	-	-	(25,658)	(386,960)
Net debt	(345,011)	33,457	972	(34)	(27,435)	(338,051)

Balances at 31 December 2019 comprise:

	Non-current assets £000	Current assets £000	Current liabilities £000	Non-current liabilities £000	Total £000
Cash and bank balances	-	64,988	-	-	64,988
Derivative Financial Instruments (see note 21)	210	-	-	-	210
Leases (see note 20)	-	-	(3,963)	(12,326)	(16,289)
Borrowings (see note 23)	-	-	(13,434)	(373,526)	(386,960)
Net debt	210	64,988	(17,397)	(385,852)	(338,051)

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

28. Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees in Tilney Group. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The employees of the Group's subsidiary Bestinvest (Holdings) Ltd and its subsidiaries are members of a state-managed retirement benefit scheme operated by Standard Life. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in the profit and loss account of £6.2 million represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes. As at 31 December 2019, contributions of £0.1 million due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

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

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

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

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

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

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

Implementing guidance on the application of IFRIC 14, in 2019 the Group has recognised the full amount of the defined benefit pension scheme surplus as an asset.

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2019

28. Retirement benefit schemes (continued)

Defined benefit schemes (continued)

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

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

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

Principal assumptions

The principal actuarial assumptions at the balance sheet date were:

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

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

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

28. Retirement benefit schemes (continued)

Asset breakdown

The major categories of the Scheme assets are:

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

Net defined benefit asset

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

Development of net defined benefit asset

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

*After effect of asset ceiling limit

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

28. Retirement benefit schemes (continued)

Reconciliation of asset ceiling

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

Total expense recognised in profit or loss

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

Movements in present value of defined benefit obligation

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

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

28. Retirement benefit schemes (continued)

Movements in fair value of Scheme assets

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

Reconciliation of reimbursement rights recognised as an asset

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

Statement of amount recognised in other comprehensive income

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

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

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

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

28. Retirement benefit schemes (continued)
Sensitivity of Defined Benefit Obligation at 31 December 2019

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

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

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

29. Financial instruments

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group continuously reviews the total regulatory capital requirements of its regulated subsidiaries which are reported monthly to the Board. The Group and each regulated entity have been in compliance with their regulatory capital requirements at all times during the period.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 23 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

The Group has subsidiaries that are supervised in the UK by the Financial Conduct Authority (FCA). The regulated subsidiary companies submit quarterly returns to the FCA relating to capital adequacy. The Group submits a return setting out the Group's position in relation to the FCA's requirements on a consolidated basis but has been granted a waiver to these requirements until December 2025. Throughout the period the Group held significant surplus capital over the regulatory requirements.

The Group's borrowings are provided under a Facilities Agreement that includes covenants relating to the financial performance of the Group. The Group's borrowings were refinanced in December 2018 which reduced the financial covenants to a single net leverage test, requiring the Group to keep the ratio of net debt to adjusted EBITDA below a specified level.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

29. Financial instruments (continued)

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

	2019 £000	2018 £000
Financial assets		
Cash and bank balances	64,988	60,801
Derivatives designated as fair value through profit and loss (FVTPL)	210	34
Trade and other receivables	15,700	17,464
Financial liabilities		
Trade and other payables	(10,483)	(11,835)
Borrowings, including lease liabilities	(403,249)	(405,907)

At the end of the reporting period, there were no significant concentrations of credit risk for loans and receivables designated as FVTPL. The carrying amount reflected above represents the Group's maximum exposure to credit risk for such loans and receivables.

Interest rate cap

The Group has taken out a forward interest rate cap to hedge interest rate risk in 2019. Under the interest rate cap contract, the Group will receive payments at the end of each period in which the interest rate exceeds the agreed strike price.

The following tables detail the notional principal amounts and remaining terms of interest rate cap contracts outstanding as at the reporting date:

Cash flow derivative

Outstanding receive floating pay fixed cap contracts	Average contract fixed interest cap rate		Notional principal value		Fair value	
	2019 %	2018 %	2019 £000	2018 £000	2019 £000	2018 £000
Less than 12 months	-	3.75	-	26,070	-	-
Less than 12 months	-	1.25	-	220,973	-	34
Between 1 to 5 years	2.00	-	250,000	-	210	-

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

29. Financial instruments (continued)

Interest rate risk management

The Group is exposed to interest rate risk on financial liabilities through the impact of rate changes on loans from parent companies and bank loans. The weighted average interest rates paid during the year are disclosed in note 23.

Interest rate sensitivity analysis

The Group's exposures to interest rates on financial liabilities are detailed below. The sensitivity analysis below has been determined based on the exposure to interest rates for financial liabilities at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liabilities at the end of the reporting period will remain unchanged for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would decrease or increase as follows:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Loans from parent companies	18	18
Bank loans	2,000	1,993
	2,018	2,011

Credit risk management

Credit risk represents the loss which the Group would incur if a customer or counterparty failed to perform its contractual obligations. This risk is well diversified so the Group has no significant exposure to credit risk. At the balance sheet date there were no significant concentrations of credit risk external to the Group. The exposure to credit risk is monitored on an ongoing basis.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out below.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

29. Financial instruments (continued)

Liquidity risk management (continued)

Financing facilities

	2019 £000	2018 £000
Secured bank revolving facility:		
- amount used	-	-
- amount unused	25,000	25,000
	25,000	25,000

Liquidity risk tables

The following table summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Less than 12 months £000	2-5 years £000	5+ years £000	Total £000
31 December 2019				
Trade and other payables (see note 19)	10,483	-	-	10,483
Borrowings, including lease liabilities (see note 23)	17,397	51,190	334,662	403,249
31 December 2018				
Trade and other payables as restated (see note 19)	11,835	-	-	11,835
Borrowings, including lease liabilities (see note 23)	7,901	52,919	345,087	405,907

29. Financial instruments (continued)

Reconciliation of movements of liabilities to cash flows from financing activities

	Loans from parent entities £000	Bank loans £000	Finance leases £000	Derivatives £000	Total £000
Balance as at 1 January 2018	3,500	393,978	20,763	-	418,241
Changes from financing cash flows					
Interest paid	-	(24,365)	-	-	(24,365)
Repayments of borrowings	-	(406,000)	-	-	(406,000)
Payments of lease liabilities	-	-	(3,658)	-	(3,658)
Proceeds from borrowings	-	400,000	-	-	400,000
Refinancing costs	-	(13,904)	-	-	(13,904)
Total changes from financing cash flows	-	(44,269)	(3,658)	-	(47,927)
Changes in fair value	-	-	-	-	-
Other non-cash changes					
Interest expense	-	36,479	-	-	36,479
New lease recognised	-	-	1,039	-	1,039
Refinancing costs payable	-	(1,925)	-	-	(1,925)
Total other changes	-	34,554	1,039		35,593
Balance as at 31 December 2018	3,500	384,263	18,144	-	405,907
Changes from financing cash flows					
Interest paid	-	(23,168)	-	-	(23,168)
Repayments of borrowings	-	(3,250)	-	-	(3,250)
Payments of lease liabilities	-	-	(3,632)	-	(3,632)
Refinancing costs	-	(43)	-	-	(43)
Total changes from financing cash flows	-	(26,461)	(3,632)	-	(30,093)
Changes in fair value	-	-	-	-	-
Other non-cash changes					
Interest expense	-	25,802	-	-	25,802
New lease recognised	-	-	1,777	-	1,777
Refinancing costs payable	-	(144)	-	-	(144)
Total other changes	-	25,658	1,777	-	27,435
Balance as at 31 December 2019	3,500	383,460	16,289	-	403,249

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

30. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Trading transactions

During the year, the Group entered into the following transactions with related parties:

	Recharge of costs to / (from)	
	2019	2018
	£000	£000
Permira Advisers (London) Limited	(6)	(102)
Saga Investment Services Limited	467	412

	Loans made to	
	2019	2018
	£000	£000
Permira Advisers (London) Limited	-	-
Saga Investment Services Limited	-	110

The recharge of costs to Saga Investment Services Limited in 2018 relate to closure costs that were incurred by the Group. The recharge of costs from Permira Advisers (London) Limited relates to out-of-pocket expenses and other services.

The loan to Saga Investment Services Ltd was written off in 2018.

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2019	2018	2019	2018
	£000	£000	£000	£000
Permira Advisers (London) Limited	-	-	-	-
Saga Investment Services Limited	1,512	971	1,508	1,508

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2019

30. Related party transactions (continued)

Remuneration of key management personnel

The remuneration of the Directors and the Executive Committee, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Key management personnel remuneration		
Emoluments	4,176	3,678
Employer contributions to money purchase pension schemes	25	63
	4,201	3,741

	Number	Number
The number of key management personnel who:		
Are members of a money purchase pension scheme	8	8

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Remuneration of the highest paid member of the key management personnel:		
Emoluments	812	721

As of 31 December 2019, there is £366,000 of outstanding loans made to key management personnel of the Group which is included in Trade and other receivables on the Consolidated Balance Sheet. As of 31 December 2019 there was an impairment of £nil (2018: £220,000) associated with these loans. These loans have interest rates ranging from 2.5% to 4%, are securitised by shares held in Violin Topco Limited, a parent undertaking of the Group, and will be settled in cash. These loans were issued to the individuals for the use in purchasing shares in Violin Topco Limited.

31. Subsequent events

In September 2019, the Group announced that an agreement had been reached to acquire the Smith and Williamson business. Since this date, activity has continued to obtain the necessary legal and regulatory approvals. As at the date of this report, this work remains ongoing. Additional fees that are contingent on the transaction completing have not been recognised in 2019.

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Company Financial Statements

Income statement
As at 31 December 2019

	Note	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Revenue		-	-
Gross profit		-	-
Administrative expenses		(99)	(96)
Operating loss	33	(99)	(96)
Investment revenue	34	13,409	14,821
Finance costs	35	(26,065)	(36,751)
Loss before tax		(12,755)	(22,026)
Tax (charge)/credit	36	(184)	1,087
Loss for the year		(12,939)	(20,939)

There are no recognised gains or losses other than the loss for the current and prior year. Accordingly, no statement of comprehensive income is given.

The notes set out on pages 98 to 110 form an integral part of these financial statements.

Company Financial Statements (continued)

Balance sheet
As at 31 December 2019

	Note	31 December 2019 £000	31 December 2018 £000
Non-current assets			
Investments in subsidiaries	37	638,035	632,529
Property, plant and equipment	40	142	120
Derivative financial instruments	21	210	-
Deferred tax asset	36	964	1,148
Total non-current assets		639,351	633,797
Current assets			
Loans to other group entities		195,743	195,743
Trade and other receivables	38	46,024	31,954
Cash and bank balances		4	13
Derivative financial instruments		-	34
Total current assets		241,771	227,744
Total assets		881,122	861,541
Current liabilities			
Trade and other payables	39	(125,070)	(91,729)
Borrowings	41	(13,536)	(4,422)
Total current liabilities		(138,606)	(96,151)
Net current assets		103,165	131,593
Non-current liabilities			
Borrowings	41	(373,550)	(383,485)
Total non-current liabilities		(373,550)	(383,485)
Total liabilities		(512,156)	(479,636)
Net assets		368,966	381,905

Tilney Group Limited
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Company Financial Statements (continued)

Balance sheet (continued)
As at 31 December 2019

	Note	31 December 2019 £000	31 December 2018 £000
Equity			
Share capital	42	43,768	43,768
Share premium account		398,102	398,102
Accumulated losses		(72,904	(59,965)
		368,966	381,905

The notes set out on pages 98 to 110 form an integral part of these financial statements.

The financial statements of Tilney Group Limited were approved by the Board of Directors and authorised for issue on 11 March 2020. They were signed on its behalf by:

C Woodhouse
Chief Executive Office
Tilney Group Limited
Registered Number: 08741768
Registered Office: 6 Chesterfield Gardens, London, W1J 5BQ

Tilney Group Limited
Financial Statements

Company Financial Statements (continued)

Statement of changes in equity
For the year ended 31 December 2019

	Share capital £000	Share premium account £000	Retained earnings £000	Total equity £000
Balance at 1 January 2018	43,768	398,102	(29,026)	412,844
Loss for the year	-	-	(20,939)	(20,939)
Total comprehensive loss for the year	-	-	(20,939)	(20,939)
Reassessment of cost of investment (note 37)	-	-	(10,000)	(10,000)
Balance as at 31 December 2018	43,768	398,102	(59,965)	381,905
Loss for the year	-	-	(12,939)	(12,939)
Total comprehensive loss for the year	-	-	(12,939)	(12,939)
Balance at 31 December 2019	43,768	398,102	(72,904)	368,966

The notes set out on pages 98 to 110 form an integral part of these financial statements.

Company Financial Statements (continued)

Cash flow statement
For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Net cash from operating activities	44	17,299	29,564
Investing activities			
Interest received		13,409	14,821
Net cash outflow arising on acquisition of subsidiaries		(3,906)	-
Net cash used in investing activities		9,503	14,821
Financing activities			
Interest paid		(23,168)	(24,365)
Repayments of borrowings		(3,250)	(406,000)
Payment of lease liabilities		(140)	(116)
Proceeds from borrowings		-	400,000
Refinancing costs		(43)	(13,904)
Cash outflow for derivative financial instruments		(210)	-
Net cash used in financing activities		(26,811)	(44,385)
Net movements in cash and cash equivalents		(9)	-
Cash and cash equivalents at beginning of the year		13	13
Cash and cash equivalents at end of the year		4	13

The notes set out on pages 98 to 110 form an integral part of these financial statements.

Company Financial Statements (continued)

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2019

32. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. The principal accounting policies adopted are the same as those set out in the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. The impairment testing performed considered the value of the operating group held by the Company, using fair value less costs to sell calculations. The key assumptions used in respect of these calculations are the multiple applied to the consolidated EBITDA of the Group to derive an enterprise value, and the estimated costs of sale. The EBITDA figures used include both the actual result for the last twelve months, and the forecast result for the next 12 months.

The multiple applied is based on both an analysis of recent transactions and on a comparison of listed companies in the wealth management sector. A marketability discount has been applied against multiples relating to listed peers to reflect the limited number of potential acquirers for the business as a whole.

Costs to sell are based on previous transactions, and are not considered significant in the context of expected sales proceeds.

The conclusion reached from this assessment was that the fair value less costs to sell of the subsidiaries held by the Company is greater than the carrying value of those subsidiaries, and hence no impairment has been recognised.

33. Operating and administrative expenses

The auditor's remuneration for audit and other services is disclosed in note 8 to the consolidated financial statements.

The loss for the year has been arrived at after charging:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Depreciation of property, plant and equipment		
- held under finance leases	99	96

34. Investment revenue

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Interest receivable from group companies	13,409	14,821
Total investment revenue	13,409	14,821

Company Financial Statements (continued)

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2019

35. Finance costs

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Interest on bank overdrafts and loans	25,848	36,480
Fair value loss/(gain) arising on derivatives	34	90
Interest payable to group companies	182	176
Interest on lease obligations	1	5
	26,065	36,751

36. Tax

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Corporation tax:		
Current year	-	-
Adjustments in respect of prior years	-	(1,117)
	-	(1,117)
Deferred tax:		
Current year	(688)	(964)
Adjustments in respect of prior years	954	994
Effect of changes in tax rates	(82)	-
Tax credit for the year	184	(1,087)

Corporation tax is calculated at 19 per cent (2018: 19 per cent) of the estimated assessable profit for the year. The credit for the year can be reconciled to the loss per the income statement as follows:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Loss before tax	(12,755)	(22,026)
Tax at the current tax rate of 19% (2018: 19%)	(2,423)	(4,185)
Expenses not deductible		(4)
Effects of other tax rates	82	-
Group relief	1,571	3,229
Adjustments in respect of prior years	954	(123)
Amounts not recognised	-	(4)
Tax credit for the year	184	(1,087)

Company Financial Statements (continued)

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2019

36. Tax (continued)

Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

	Interest expense £000	Leases £000	Total £000
At 1 January 2018	1,178	-	1,178
Adjustment in respect of prior year	(994)	-	(994)
Charge for the year to the income statement	960	4	964
At 31 December 2018	1,144	4	1,148
Adjustment in respect of prior year	(954)	-	(954)
Credit/(charge) for the year to the income statement	772	(2)	770
At 31 December 2019	962	2	964

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £000	2018 £000
Deferred tax liabilities	-	-
Deferred tax assets	964	1,148
	964	1,148

A deferred tax asset amounting to £2,146,000 (31 December 2018: £741,000) for losses carried forward has not been recognised because in the opinion of the Directors no suitable taxable profits are anticipated in the foreseeable future against which the asset may be offset.

Company Financial Statements (continued)

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2019

37. Investments in subsidiaries

	£000
Balance at 1 January 2018	642,529
Reassessment of cost of investment made in 2016	(10,000)
Balance at 31 December 2018	632,529
Acquisition of subsidiary	5,506
Balance at 31 December 2019	638,035

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, the country of incorporation, registered office address and percentage of equity owned as at 31 December 2019 is disclosed below.

Company Name	Share Class	% held by Group	Registered office
Aitchison & Colegrave Trustees Limited	£1.00 Ordinary shares	100	3
Ashcourt Holdings Limited	£0.02 Ordinary shares £1.00 Preference shares	100 100	2
Ashcourt Investment Advisers Limited (in liquidation)	£0.000002 Ordinary shares	100	2
Ashcourt Nominees Limited (in liquidation)	£1.00 Ordinary shares	100	2
Ashcourt Rowan Corporate Solutions Limited (dissolved 3 March 2020)	£0.000004 Ordinary shares	100	2
Ashcourt Rowan Financial Planning Limited (in liquidation)	£0.000027 Ordinary shares	100	2
Ashcourt Rowan Investment Management LLP (in liquidation)	Members' capital	100	2
Ashcourt Rowan Limited	£0.20 Ordinary shares	100	2
Bestinvest (Brokers) Limited	£1.00 Ordinary shares	100	2
Bestinvest (Consultants) Limited	£1.00 Ordinary shares	100	1
Bestinvest (Holdings) Limited	£0.00002 Ordinary shares	100	1
DS Asian Midco Limited	£1.00 Ordinary shares	100	2
Ford Campbell Financial Management Limited (in liquidation)	£1.00 A Ordinary shares £1.00 B Ordinary shares	100 100	2
HW Financial Services Limited	£1.00 Ordinary shares £1.00 Ordinary A shares	100 100	1
Index Fund Advisors Limited	£1.00 Ordinary shares	100	1
Index Professional Partners LLP	Members' capital	75	1

Company Financial Statements (continued)

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2019

37. Investments in subsidiaries (continued)

Company Name	Share Class	% held by Group	Registered office
Index WM (Holdings) Limited	£1.00 Ordinary shares	100	1
Index WM EBT Limited	£1.00 Ordinary shares	100	1
Investment Management Holdings Limited	£0.001 Ordinary shares	100	2
JS&P Limited (in liquidation)	£ 0.0000002 Ordinary shares	100	2
	£0.0000002 Preference shares	100	
King Street Trustees Limited (in liquidation)	£1.00 Ordinary shares	100	2
Paragon Trustees Ltd	£1.00 Ordinary shares	100	2
Power-Off Limited (dissolved 3 March 2020)	£1.00 Ordinary shares	100	2
Savoy Asset Management Limited	£0.10 Ordinary shares	100	2
Saga Investment Services Limited	£1.00 Ordinary shares	50	4
Tilney US Services LLP	Members' capital	100	1
Tilney (Holdings) Limited	£0.10 Ordinary shares	100	1
Tilney Asset Management Group Limited	£0.05 Ordinary shares	100	1
Tilney Asset Management Holdings Limited	£0.00001 Ordinary A shares	100	1
	£0.00001 Ordinary B shares	100	
Tilney Asset Management Limited	£1.00 Ordinary shares	100	1
Tilney Asset Management (Guernsey) Limited	£1.00 Ordinary shares	100	5
Tilney Asset Management Services Limited	£1.00 Ordinary shares	100	1
Tilney Bestinvest Group Limited	£1.00 Ordinary shares	100	2
Tilney Collective Management Limited (in liquidation)	£0.000001 Ordinary shares	100	1
Tilney Discretionary Investment Management Limited	£1.00 Ordinary shares	100	1
Tilney Discretionary Portfolio Management Limited	£1.00 Deferred Ordinary shares	100	1
	£1.00 Ordinary shares	100	
Tilney Financial Planning Limited	£1.00 Ordinary shares	100	1
	£1.00 Ordinary A shares	100	
	£1.00 Preference shares	100	
Tilney Fund Managers Limited (in liquidation)	£1.00 Ordinary shares	100	1
Tilney Fund Managers Ireland Limited	€1.00 Ordinary shares	100	7
Tilney Global IDF G.P. Limited	US$1.00 Ordinary shares	100	8
Tilney Investment Management	£1.00 Ordinary shares	100	1
Tilney Investment Management Services Limited	£1.00 Ordinary shares	100	1

Company Financial Statements (continued)

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2019

37. Investments in subsidiaries (continued)

Company Name	Share Class	% held by Group	Registered office
Tilney Nominees Limited	£1.00 Ordinary shares	100	1
Tilney Nominees No.2 Limited	£1.00 Ordinary shares	100	1
Tilney Services Limited	£1.00 Ordinary shares	100	1
Tilney Smith & Williamson Limited	£1.00 Ordinary shares	100	2
TL Jerseyco Finance Limited	Unlimited Ordinary shares	100	6
Towry Asset Management Limited	£1.00 Ordinary shares	100	2
Towry EJ Limited (dissolved 3 March 2020)	£ 0.0000004 Ordinary shares	100	2
Towry Finance Company Limited	£1.00 Ordinary shares	100	2
Towry Group Limited	£1.00 Ordinary shares	100	2
Towry Holdings Limited	£0.10 Ordinary shares	100	2
Towry Investment Management Limited (in liquidation)	£1.00 Ordinary shares	100	2
Towry Law Limited (in liquidation)	£ 0.0000001 Ordinary shares	100	2
Towry Limited	£1.00 Ordinary shares	100	2
Towry Nominees No.2 Limited	£1.00 Ordinary shares	100	2
Towry Pension Trustees Limited (in liquidation)	£1.00 Ordinary shares	100	2
Towry Security Company Limited	£1.00 Ordinary shares	100	2
Towry Services Limited	£1.00 Ordinary shares	100	2
UK Portfolio Management Limited	£0.10 Ordinary shares	100	2
UK Wealth Management Limited	£1.00 Ordinary shares	100	2
YIGAM Holdings Limited	£1.00 Ordinary shares	100	2

1. 6 Chesterfield Gardens, London W1J 5BQ, England
2. The Observatory, Western Road, Bracknell, Berkshire RG12 1TL, England
3. 220 St Vincent Street, Glasgow G2 5SG, Scotland
4. Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE, England
5. Regency Court, Glategny Esplanade, St Peter port, Guernsey GY1 1WW
6. 44 Esplanade, St Helier, Jersey JE4 9WG
7. 25/28 North Wall Quay, International Financial Services Centre, Dublin 1 D01H104, Republic of Ireland
8. c/o Estera Services (Bermuda) Limited, Canon's Court, 22 Victoria Street, Hamilton, Bermuda

Company Financial Statements (continued)

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2019

38. Financial assets

Trade and other receivables

	2019 £000	2018 £000
Amounts owed by group undertakings	45,822	31,954
Prepayments and accrued income	202	-
	46,024	31,954

The carrying amount of amounts owed by group undertakings approximates their fair value. There are no past due or impaired receivable balances.

Cash and cash equivalents

These comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

39. Trade and other payables

	2019 £000	2018 £000
Amounts owed to group undertakings	122,965	89,214
Other taxes and social security	26	-
Accruals and deferred income	144	1,865
Other creditors	1,935	650
	125,070	91,729

Company Financial Statements (continued)

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2019

40. Leases

Right of use assets

	Right-of-use assets £000
Cost	
At 31 December 2018	320
Additions	121
At 31 December 2019	441
Accumulated depreciation	
At 31 December 2018	200
Charge for the year	99
At 31 December 2019	299
Carrying amount	
At 31 December 2019	142
At 31 December 2018	120

Lease Liabilities

	2019 £000	2018 £000
Maturity analysis – contractual undiscounted cash flows		
Within one year	121	121
In the second to fifth years inclusive	24	25
Total undiscounted lease liabilities at 31 December	145	146
Lease liabilities included in the balance sheet at 31 December		
Current	102	121
Non-current	24	24
	126	145

Company Financial Statements (continued)

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2019

40. Leases (continued)

Amounts recognised in the profit or loss

	2019 £000	2018 £000
Interest on lease liabilities	1	5

Amounts recognised in the statement of cash flows

	2019 £000	2018 £000
Total cash outflow for leases	140	116

41. Borrowings

	2019 £000	2018 £000
Unsecured borrowing at amortised cost		
Loans from group companies	3,500	3,500
Secured borrowing at amortised cost		
Bank loans	383,460	384,262
Lease liabilities (see note 40)	126	145
Total borrowings	387,086	387,907
Amount due for settlement within 12 months	13,536	4,422
Amount due for settlement after 12 months	40,538	40,235
Amount due for settlement after 5 years	333,012	343,250

Details of the bank loans are given in note 23 to the consolidated financial statements.

Derivative financial instruments

Details of the derivative financial instruments are given in note 21 to the consolidated financial statements.

42. Share capital

The movement on share capital is disclosed in note 25 of the consolidated financial statements.

Company Financial Statements (continued)

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2019

43. Notes to the cash flow statement

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Loss for the year	(12,939)	(20,939)
Adjustments for:		
Investment revenues	(13,409)	(14,821)
Finance costs	26,031	36,661
Fair value loss arising from derivatives	34	90
Depreciation of right of use assets	99	96
Tax charge/(credit)	184	(1,087)
Operating cash flows before movements in working capital	-	-
Increase in receivables	(15,671)	(14,820)
Increase in payables	32,980	44,390
Cash generated by operations	17,309	29,570
Interest paid	(10)	(6)
Net cash from operating activities	17,299	29,564

Company Financial Statements (continued)

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2019

43. Notes to the cash flow statement (continued)

Reconciliation of movements of liabilities to cash flows from financing activities

	Loans from group entities £000	Bank loans £000	Finance leases £000	Derivatives £000	Total £000
Balance as at 1 January 2018	3,500	393,978	261	-	397,739
Changes from financing cash flows					
Interest paid	-	(24,365)	-	-	(24,365)
Repayments of borrowings	-	(406,000)	-	-	(406,000)
Payments of lease liabilities	-	-	(116)	-	(116)
Proceeds from borrowings	-	400,000	-	-	400,000
Refinancing costs	-	(13,904)	-	-	(13,904)
Total changes from financing cash flows as restated	-	(44,269)	(116)	-	(44,385)
Changes in fair value	-	-	-	-	-
Other non-cash changes					
Interest expense	-	36,479	-	-	36,479
Refinancing costs payable	-	(1,925)	-	-	(1,925)
Total other changes	-	34,554	-		34,554
Balance as at 31 December 2018	3,500	384,263	145	-	387,908
Changes from financing cash flows					
Interest paid	-	(23,168)	-	-	(23,168)
Repayments of borrowings	-	(3,250)	-	-	(3,250)
Payments of lease liabilities	-	-	(140)	-	(140)
Refinancing costs	-	(43)	-	-	(43)
Total changes from financing cash flows	-	(26,461)	(140)	-	(26,601)
Changes in fair value	-	-	-	-	-
Other changes					
Interest expense	-	25,802	-	-	25,802
New lease recognised	-	-	121	-	121
Refinancing costs payable	-	(144)	-	-	(144)
Total other changes	-	25,658	121	-	25,779
Balance as at 31 December 2019	3,500	383,460	126	-	387,086

44. Financial instruments

Details of the Company's financial instruments are given in note 29 to the consolidated financial statements.

45. Related party transactions

Trading transactions

During the year, the Company entered into the following transactions with related parties:

Recharge of costs	Amounts owed by related parties 2019 £000	2018 £000	Amounts owed to related parties 2019 £000	2018 £000
Tilney Services Limited	-	-	140	56

Interest on intercompany loans	Amounts owed by related parties 2019 £000	2018 £000	Amounts owed to related parties 2019 £000	2018 £000
Violin Debtco Limited	-	-	-	-
Violin Equityco Limited	-	-	182	176
Tilney (Holdings) Limited	566	544	-	-
TL JerseyCo Finance Limited	849	943	-	-
Towry Finance Company Limited	11,994	13,383	-	-

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties 2019 £000	2018 £000	Amounts owed to related parties 2019 £000	2018 £000
Violin Topco Limited	-	25	1,575	-
Violin Debtco Limited	-	-	15	15
Violin Equityco Limited	-	-	4,200	4,018
Bestinvest (Holdings) Limited	-	-	2,878	2,887
Tilney Investment Management Services Limited	-	-	947	947
Bestinvest (Consultants) Limited	200	200	-	-
Tilney (Holdings) Limited	11,530	10,963	-	-
Tilney Investment Management	1,734	1,734	-	-
Tilney Asset Management Group Limited	-	-	2,889	2,889
Tilney Asset Management Holdings Limited	-	-	41	41
Tilney Asset Management Limited	-	-	501	501
Tilney US Services LLP	-	-	1,000	1,000
Index WM (Holdings) Limited	485	-	-	-
Tilney Services Limited	-	-	112,420	81,533
TL JerseyCo Finance Limited	15,408	14,560	-	-
Towry Finance Company Limited	212,209	200,215	-	-

Company Financial Statements (continued)

Notes to the Company Financial Statements (continued)
For the year ended 31 December 2019

45. Related parties (continued)

Trading transactions (continued)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

The Directors of the Company are employed by fellow subsidiary undertakings of the Tilney Group Limited group.

The Company has no employees.

46. Controlling party

In the opinion of the Directors, as at 31 December 2019, the Group is backed by funds advised by Permira Holdings Limited and its subsidiaries. Permira Holdings Limited is related to the Company due to common control of Alexlux Sarl, a company incorporated in Luxembourg (the Group's ultimate controlling parent party).

Symmetry Topco Limited, a company incorporated in the United Kingdom, is the parent undertaking of the largest group for which group financial statements are produced. The registered address of Symmetry Topco Limited is 6 Chesterfield Gardens, London, W1J 5BQ. Copies of the group accounts of that company are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.