SC066107

MARTIN CURRIE INVESTMENT MANAGEMENT LIMITED

Annual report and financial statements
for the year ended 31 March 2020

STRATEGIC REPORT
Registered No: SC066107

The Martin Currie Group ("Group") had assets under management ("AUM") of £9.7bn as at 31 March 2020. This is a reduction of £2.9bn from the prior year driven by the global pandemic which caused markets to fall by over 30% during March 2020. Excluding exceptional costs, the Group made an operating profit of £0.6m in the year to 31 March 2020.

In its first full year under the leadership of the new CEO Julian Ide, the business was significantly simplified with a key focus on core strategic investment capabilities. This resulted in a materially reduced cost base in the UK and has put the Group in a strong position for future growth. The changes included a restructure of Distribution to increase client contact and engagement. There were net inflows of £565m in core capabilities during the year and the pipeline increased by almost 80% from £6.4bn to £11.4bn between March 2019 to March 2020.

Investment performance within our core strategic investment capabilities remains strong which has underpinned the positive momentum. The Emerging Markets strategy is now well placed with a suite of products suitable for the US retail market and their Separately Managed Account (SMA) that launched early in 2019 has seen net inflows of £210m in the year. The developed markets LTU product range has continued to perform well and is attracting interest across the globe, particularly its Global product which has top decile performance over its 1 and 3 year rankings. Long term performance in Australian products remains strong relative to both peers and the market with the Real Income strategy in the 1st percentile of peers over 3,5 and 7 years.

The trading figures of the Group include Martin Currie (Holdings) Limited and its subsidiaries, as well as the Martin Currie Australia ("MCA") equity business. MCA is managed by the Group. However, it is a division of the statutory entity Legg Mason Asset Management Australia Limited and is not part of the legal structure of the Group. The companies' ultimate parent is Legg Mason, Inc..

On 18 February 2020, Franklin Resources, Inc., a global investment organisation operating as Franklin Templeton announced that it has entered into a definitive agreement to acquire Legg Mason, Inc., which was approved by Legg Mason's shareholders on 15 May 2020. The transaction is subject to customary closing conditions, including receipt of applicable regulatory approvals and is expected to close no later than the third calendar quarter of 2020.

Martin Currie Investment Management Limited's ('the company') principal activity continued to be the provision of investment management, advisory, secretarial and administrative services and no significant changes are presently foreseen. The company's international client base is supported by sales and client service offices in Edinburgh, London and Melbourne. The company is regulated by the Financial Conduct Authority. Martin Currie Investment Management Limited reports in pounds sterling.

The company is committed to meeting our clients' investment performance expectations. The company focuses exclusively on active international equities. We are active bottom-up stock pickers. Our investment proposition is simple and focused. By making the connections that others miss, we aim to identify the best money-making ideas and then blend them to deliver attractive risk-adjusted returns.

The company's key performance indicators are AUM, turnover and operating profit. Average AUM for the year to 31 March 2020 was £4.2bn and the year to 31 March 2019 was £4.1bn. Turnover for the year ended 31 March 2020 amounted to £27,471,541 (2019: £32,768,271) whilst operating loss amounted to £11,118,779 (2019: loss of £10,239,434).

Turnover has decreased from the prior year, predominantly as a result of a decrease in margins and the timing of asset flows. The company has reduced administrative costs by 14% (£5.8m) in the year following a strategic decision to simplify and focus on core strategies. A similar reduction in costs is expected in FY21 as the full annualised effects of the cost reduction come through. One off exceptional expenditure of £4.7m has been incurred as part of the cost reduction.

The company's principal risks and uncertainties relate to economic factors such as market risk and foreign exchange risk. The company has an established framework in place to manage financial risk. This is described in note 20 to the financial statements.

Martin Currie and our parent, Legg Mason, Inc., have been undertaking contingency planning for some time to address potential changes as a result of Brexit. Martin Currie has conducted a full review of the implications of a hard Brexit and has plans in place to ensure continuity of its investment management business. The Group continue to monitor events and review plans in light of any developments.

After the reporting period ended, the spread of COVID-19 expanded and continued to impact the global economy and financial markets. It is too early to determine the eventual impact from COVID-19. The length and depth of the downturn - as well as its impact on financial markets - will be driven by a number of factors, including efforts to "flatten the curve" through public lockdowns, quarantines and social distancing. In the meantime, there have been aggressive monetary and fiscal actions taken around the globe.

The Directors are satisfied with the company's progress and expect the current level of activity to continue for the foreseeable future.

By order of the Board

J Mair
Secretary
16 July 2020

DIRECTORS' REPORT
Registered No: SC066107

The directors submit their report and audited financial statements for the year ended 31 March 2020.

RESULTS AND DIVIDENDS
The loss after tax for the financial year amounted to £11,203,089 (2019: loss of £15,763,041). No dividends were paid during the year (2019: None). The directors do not recommend the payment of a final dividend (2019: None). More details on the results can be seen in the Strategic Report.

In May 2019, June 2019, November 2019 and March 2020 the company issued 44, 72, 50 and 36 ordinary shares of £1 each respectively.

BRANCHES OUTSIDE THE UK
During the year ended 31 March 2020 and the prior year, the company operated with one branch outside of the UK, being an Australian branch.

FIXED ASSETS
The changes in fixed assets during the year are summarised in the notes to the financial statements.

DIRECTORS
The directors who served during the year and up to the date of signing the financial statements were as follows:

R Birtles (non-executive) (appointed 16 January 2020)
S Davidson (appointed 15 August 2019)
T C Hogbin (resigned 26 April 2019)
P J Hughes (appointed 02 May 2019 and resigned 15 August 2019)
J D F Ide
L F McCall (resigned 13 September 2019)
S L Wallace (resigned 31 October 2019)
E A Wilson (appointed 02 May 2019)

The company has in place a Director and Officer Liability Insurance Policy that is renewed annually. The liability insurance qualifies as a third party indemnity and was in force during the year and at the date of signing.

BUSINESS REVIEW AND GOING CONCERN
The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. In addition note 20 to the financial statements sets out its financial risk management objectives and its exposures to credit risk and liquidity risk.

Following the spread of COVID 19, the company has enacted its Business Continuity Plan on 16 March 2020. Day to day activity have continued seamlessly, and the Company does not believe there is risk if the Company operates under its Business Continuity plan for a prolonged period.

The financial risks arising from COVID 19 are separately covered by existing key risks.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

DISCLOSURE OF INFORMATION TO INDEPENDENT AUDITORS
In the case of each of the persons who are directors at the time when the directors' report is approved, the following applies:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
(b) he/she 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

INDEPENDENT AUDITORS
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the forthcoming Annual General Meeting.

By order of the Board

J Mair
Secretary
16 July 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARTIN CURRIE INVESTMENT MANAGEMENT LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Martin Currie Investment Management Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2020; the Profit and Loss Account; the Statement of Cash Flows; Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARTIN CURRIE INVESTMENT MANAGEMENT LIMITED (cont.)

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Shujaat Khan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
16 July 2020

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2020

	Note	2020 £000	2019 £000
TURNOVER			
Fees and commissions	7	27,472	32,768
Administrative expenses		(35,965)	(41,678)
Exceptional items - administrative expenses	8	(4,751)	(3,462)
Total administrative expenses		(40,716)	(45,140)
Other operating income	11	2,125	2,132
OPERATING LOSS	8	(11,119)	(10,240)
Interest receivable and similar income		41	30
Loss on disposal of fixed assets		(20)	(44)
LOSS BEFORE TAXATION		(11,098)	(10,254)
Tax on loss	12	(105)	(5,509)
LOSS FOR THE FINANCIAL YEAR		(11,203)	(15,763)

All results are derived from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

There is no comprehensive income other than the loss attributable to shareholders of the company of £11,203,089 in the year ended 31 March 2020 and the loss attributable to shareholders of the company of £15,763,041 in the prior year ended 31 March 2019 therefore no Statement of Comprehensive Income is presented.

The notes on pages 11 to 20 form part of these financial statements.

BALANCE SHEET
As at 31 March 2020

	Note	*2020* *£000*	*2019* *£000*
FIXED ASSETS			
Intangible assets	14	-	-
Tangible assets	15	1,043	1,340
Investments	16	-	-
		1,043	1,340
CURRENT ASSETS			
Debtors	17	16,126	17,718
Cash at bank and in hand		10,317	12,640
		26,443	30,358
CREDITORS: amounts falling due within one year	18	(10,977)	(14,218)
NET CURRENT ASSETS		15,466	16,140
TOTAL ASSETS LESS CURRENT LIABILITIES		16,509	17,480
NET ASSETS		16,509	17,480
CAPITAL AND RESERVES			
Called up share capital	19	311	310
Share premium account		36,877	26,690
Profit and loss account		(20,679)	(9,520)
TOTAL SHAREHOLDERS' FUNDS		16,509	17,480

The financial statements of Martin Currie Investment Management Limited (registered number SC066107) on pages 7 to 20 were approved by the Board of Directors on 16 July 2020 and signed on its behalf by:

Stuart Davidson

S Davidson
Director
16 July 2020

The notes on pages 11 to 20 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2020

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
Balance:				
At 1 April 2018	310	20,190	5,991	26,491
Loss for the financial year	-	-	(15,763)	(15,763)
Total comprehensive expense for the year	-	-	(15,763)	(15,763)
Capital contribution: Share-based payments	-	-	252	252
Proceeds from shares issued	-	6,500	-	6,500
Total transactions with owners, recognised directly in equity	-	6,500	252	6,752
At 31 March 2019	310	26,690	(9,520)	17,480
At 1 April 2019	310	26,690	(9,520)	17,480
Loss for the financial year	-	-	(11,203)	(11,203)
Total comprehensive expense for the year	-	-	(11,203)	(11,203)
Capital contribution: Share-based payments	-	-	44	44
Proceeds from shares issued	1	10,187	-	10,188
Total transactions with owners, recognised directly in equity	1	10,187	44	10,232
At 31 March 2020	311	36,877	(20,679)	16,509

STATEMENT OF CASH FLOWS
For the year ended 31 March 2020

	Note	*2020* *£000*	*2019* *£000*
NET CASH USED IN OPERATING ACTIVITIES	9 (a)	(14,202)	(18,742)
Tax received/(paid)		1,685	(60)
NET CASH USED IN OPERATING ACTIVITIES		(12,517)	(18,802)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(35)	(306)
Interest received		41	30
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		6	(276)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds of share issue		10,188	6,500
NET CASH GENERATED FROM FINANCING ACTIVITIES		10,188	6,500
NET DECREASE IN CASH AT BANK AND IN HAND		(2,323)	(12,578)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		12,640	25,218
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		10,317	12,640
CASH AND CASH EQUIVALENTS CONSISTS OF:			
Cash at bank and in hand		10,317	12,640
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		10,317	12,640

The notes on pages 11 to 20 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020

1. COMPANY INFORMATION

Martin Currie Investment Management Limited provides investment management services (including sales, marketing, client services, dealing, middle/back office functions, and other support services) for all non-US clients, including pension funds and charities.

The company is incorporated and domiciled in the UK. The address of its registered office is Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2ES.

2. STATEMENT OF COMPLIANCE

The financial statements of Martin Currie Investment Management Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified to include certain items at fair value through profit or loss.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

The functional currency of Martin Currie Investment Management Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. Foreign operations are included in accordance with the policies set out below.

4. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the financial statements in conformity with FRS 102 necessitates the use of estimates, assumptions and judgements. These affect the reported amounts of assets, liabilities and contingent liabilities at the reporting date as well as affecting the reported profit and losses for the year. Although the estimates are based on management's best knowledge and judgement of information and financial data, the actual outcome may differ from these estimates. The key assumptions that affect these results for the year and the balances as at the year end are specifically identified, where appropriate, in the notes to the financial statements. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 12.

5. EXEMPTIONS FOR QUALIFYING ENTITIES UNDER FRS 102

FRS 102 paragraph 1.12 allows a qualifying entity certain disclosure exemptions. The exemptions taken, within these financial statements, are the requirement to include certain disclosures in respect of share based payments and financial instruments and the requirement to disclose key management personnel compensation in total.

6. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies are set out below. These policies have been consistently applied throughout the year and the preceding year, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

a) *Turnover*

Turnover is measured at the fair value of the consideration received or receivable. Turnover from the provision of asset management services is recognised net of value added tax as the services are provided, to the extent that it is probable that economic benefits will flow to the company and the turnover can be reliably measured. Turnover is recognised net of management fee rebates payable and applicable distribution fees payable to third parties, which are recognised over the period that the services are provided. The company has entitlement to earn performance fees from a number of clients where the actual fund performance of the client's assets exceed defined benchmarks by an agreed level of outperformance in a set time period. Performance fees are recognised when the right to receive payment is established.

b) *Administrative Expenses*

Administrative expenses are accrued as services are provided.

c) *Finance Income/Costs*

Finance income comprises interest. Interest income is recognised as it accrues.

Finance costs comprise interest payable on borrowings which is recognised as it accrues.

d) *Exceptional items*

Where the company incurs significant non-recurring expenditure or income in respect of items that arise out with the company's normal business activities and which are sufficiently material to warrant separate disclosure then the expenditure incurred or income received is separately classified on the face of the profit and loss account as "Exceptional" in order to provide more helpful information to users of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont.)
For the year ended 31 March 2020

6. PRINCIPAL ACCOUNTING POLICIES (cont.)

e) *Intangible Assets*

Intangible assets, such as management contracts, are capitalised where it is probable that future economic benefits attributable to the assets will flow to the group and the fair value of assets can be measured reliably. Purchased intangible assets, such as software development, have a finite life and are stated at cost less accumulated amortisation.

Amortisation is provided on all intangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

- Software development - over 7 years

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may no longer be recoverable.

f) *Property, Plant and Equipment*

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition. Depreciation is provided on all Property, Plant and Equipment items at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

- Leasehold improvements - over remaining life of the lease
- Office equipment - over 4 years

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may no longer be recoverable.

g) *Investments in associates*

Investments in associates are carried at historic cost less any accumulated impairment losses.

h) *Provisions*

A provision is recognised in the balance sheet when the company has a present legal or contractual obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. No provision is established where a reliable estimate of the obligation cannot be made.

i) *Foreign currencies*

The financial statements are presented in sterling, the company's functional and presentational currency. Transactions in foreign currencies are translated to the functional currency at the exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date and any exchange differences arising are taken to the profit and loss account.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated to the functional currency using the exchange rate at the date of the transaction and so no exchange differences arise.

The assets and liabilities of foreign operations are translated to sterling at exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to sterling at rates approximating to the exchange rates ruling at the dates of the transactions. Exchange differences arising on translation of the opening net assets are reported in the profit and loss account.

j) *Leases*

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Rental income received is recognised in the profit and loss account on a straight line basis over the lease term, taking into account any rent free period as applicable.

k) *Taxation*

Taxation expense for the year comprises any current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax with the following exceptions:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date.

l) *Cash and cash equivalents*

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

m) *Loans*

Loans which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest method. The effective interest rate amortisation is included in finance revenue in the profit and loss account. Loans that are payable or receivable within one year are not discounted.

n) *Short-term debtors and creditors*

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS (cont.)
For the year ended 31 March 2020

6. PRINCIPAL ACCOUNTING POLICIES (cont.)

o) *Employee benefits*

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

p) *Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

q) *Annual bonus plan*

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

r) *Share-based payments*

Legg Mason, Inc. restricted stock

The cost of certain Legg Mason, Inc. restricted stock awards, for employees of Martin Currie Investment Management Limited, are offset by a capital contribution from Legg Mason, Inc. which flows down through the group structure and is recognised in reserves. This can be seen in the Statement of Changes in Equity.

The awards in lieu of bonus are a cash-settled liability of the company to Legg Mason, Inc.. Any balances outstanding in this regard are included within Amounts due to parent undertakings.

A proportion of shares issued on 13 May 2016 are cash-settled by Martin Currie Investment Management Limited and the remaining charges are offset by a capital contribution from Legg Mason, Inc. recognised in reserves.

Martin Currie funds based compensation

For certain individuals an element of their bonus is invested in Martin Currie funds with the individual entitled to the investment proceeds upon disposal of the investments, providing they fulfil further service conditions. The costs of the funds is amortised on a straight line basis over the service period. This amount is recognised in the company's financial statements as a staff costs expense, within the Profit and Loss account, with the liability to the employee recognised in the balance sheet within Creditors. The market value of the investments is included within Current Assets - Balances due from parent undertakings. Any difference in fair value between the cost of investments and fair value is also posted to the balance sheet and included within the Liability to employees allocation.

s) *Pensions*

For the group self invested pension plan the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the cost to the employer in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

	2020	2019
	£000	£000
7. TURNOVER		
UK	9,233	7,012
US	4,685	11,591
Rest of the world	13,554	14,165
	27,472	32,768

Turnover is all derived from investment management services.

8. OPERATING LOSS	2020 £000	2019 £000
a) This is stated after charging:		
Depreciation on tangible fixed assets	311	345
Operating lease rentals - land and buildings	819	824
Exceptional items - administrative expenses:		
Cost reduction programme	4,716	1,697
Settlement of tax in relation to share participation plan	11	1,509
Legal costs	24	256
	4,751	3,462

NOTES TO THE FINANCIAL STATEMENTS (cont.)
For the year ended 31 March 2020

8. OPERATING LOSS (cont.)

	2020 £000	2019 £000
Fees payable to PricewaterhouseCoopers LLP for the audit of the company's annual financial statements	82	83
Fees payable to PricewaterhouseCoopers LLP for other services:		
Other assurance services	18	24
Other advisory services	32	46
	50	70
Audit fees payable to PricewaterhouseCoopers LLP in respect of associated pension scheme	9	9
Total fees paid to auditors	141	162

Administrative expenses are accrued as services are provided.

b) Directors' remuneration

	2020 £000	2019 £000
Total emoluments	2,369	3,192
Company contributions paid to money purchase pension schemes	50	23
Compensation for loss of office	768	-
Total remuneration	3,187	3,215
Emoluments of the highest paid director	1,594	749

All executive director remuneration is paid and reported within the companies where directors were employed and remunerated. The non-executive director in post during the year was remunerated in the year by an Australian company within the Legg Mason Inc. group and received no remuneration in respect of directorship of Martin Currie Investment Management Limited.

At 31 March 2020 the highest paid director was not a member of the group self invested personal pension scheme. At 31 March 2019 the highest paid director was a member of the group self invested personal pension scheme, however no contributions were made during the year.

No executive directors (2019: no executive directors) who served during the year were eligible for membership of the defined benefit section of the Martin Currie Limited pension scheme. Six executive directors (2019: six executive directors) who served during the year are members of the group self-invested personal pension scheme.

During this year and the prior year no executive or non-executive directors exercised options. During this year and the prior year no Legg Mason, Inc. shares were awarded to any director under a long term incentive scheme.

The number of directors at the year end was made up as follows:	2020 Number	2019 Number
Executive directors	3	4
Non-executive directors	1	-
	4	4

9. NOTES TO CASH FLOW STATEMENT

a) Reconciliation of group operating loss to net cash used in operating activities

	2020 £000	2019 £000
Operating loss	(11,119)	(10,240)
Depreciation and amortisation	311	345
Increase in debtors	(198)	(2,196)
Decrease in creditors	(3,240)	(6,903)
Adjustment for share-based payments	44	252
Net cash used in operating activities	(14,202)	(18,742)

b) Cash flow relating to exceptional items

Operating cash flows during the year ended 31 March 2020 include outflows of £4,787,930 in relation to a cost reduction programme, outflows of £1,520,280 in relation to the settlement of tax in relation to share participation plan and £187,366 in relation to legal costs. Operating cash flows in the prior year included £844,620 in relation to exceptional items. Included in year end creditors is a balance of £935,025 (31 March 2019: £1,100,000) relating to the cost reduction programme and £nil (31 March 2019: £1,509,468) relating to settlement of tax in relation to share participation plan and £nil (31 March 2019: £70,000) in relation to legal costs.

NOTES TO THE FINANCIAL STATEMENTS (cont.)
For the year ended 31 March 2020

10. STAFF COSTS	*2020* *£000*	*2019* *£000*
Wages, salaries and bonuses	17,676	20,434
Share-based payments	1,077	1,036
Social security costs	2,945	3,011
Other pension costs (see note 23)	1,782	2,191
	23,480	26,672

The monthly average number of employees during the year was made up as follows:

	2020 *Number*	*2019* *Number*
Executive Office	4	3
Finance	11	13
Governance, Legal, Risk and Compliance	12	15
Human Resources	6	9
Investment	48	59
Operations	21	32
Sales, Marketing and Client Service	25	31
Total	127	162

11. OTHER OPERATING INCOME	*2020* *£000*	*2019* *£000*
Foreign exchange gains	71	137
Other income	2,054	1,995
	2,125	2,132

Other income in the current and prior year principally relates to costs recharged to a subsidiary of the ultimate parent for services carried out on its behalf.

12. TAX ON LOSS	*2020* *£000*	*2019* *£000*
a) Tax on loss included in profit or loss		
The tax charge is made up as follows:		
Overseas tax - current year adjustment	21	60
Current year group relief payment	-	(1,790)
Prior year adjustment to group relief	84	-
Total current tax	105	(1,730)
Deferred tax - other	-	7,134
Deferred tax asset under provided in previous years	-	105
Total deferred tax	-	7,239
Tax on loss	105	5,509

NOTES TO THE FINANCIAL STATEMENTS (cont.)
For the year ended 31 March 2020

12. TAX ON LOSS (cont.)

b) Factors affecting total tax charge

The tax assessed on the loss before taxation for the year is higher (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	2020 *£000*	*2019* *£000*
Loss before taxation	(11,098)	(10,254)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(2,109)	(1,948)
Disallowed expenses and non-taxable income	(853)	(632)
Overseas current year tax charge	21	60
Group relief surrendered	86	2,556
Group relief payment	-	(1,790)
Timing differences	(5)	24
Unprovided tax loss	2,881	-
Movement in deferred tax	-	7,134
Deferred tax under provided in previous years	-	105
Prior year adjustment to group relief	84	-
Tax charge for year	105	5,509

c) Factors that may affect future tax charge

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. A further reduction to 17% due to take effect from 1 April 2020 was enacted within Finance (No.2.) Act 2015. At Budget 2020, the government announced that the Corporation Tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%.

d) Deferred tax asset unprovided

Deferred tax amounts not provided are as follows :

	Not provided	
	2020 *£000*	*2019* *£000*
Accelerated capital allowances	21	-
Pension costs	-	21
Share-based payments	477	365
Losses	10,484	6,811
Asset	10,982	7,197

13. SHARE-BASED PAYMENTS

Legg Mason, Inc. Restricted Stock

Legg Mason, Inc. issued restricted stock to certain employees of Martin Currie Investment Management Limited in lieu of bonus. This is cash-settled by Martin Currie Investment Management Limited. The fair value of the restricted stock is calculated by Legg Mason, Inc. The charges are being spread over the vesting period of the awards. The charge reflected in the profit and loss account for the year ended 31 March 2020 is £1,055,056 (31 March 2019: £803,404). The amounts to Legg Mason, Inc. are settled on a monthly basis. Any amounts outstanding at the year end are included within Creditors - Amounts due to parent undertakings.

On 1 October 2014 and 15 May 2017 Legg Mason, Inc. issued equity-settled share-based payments to certain employees. The charge reflected in the profit and loss account for the year ended 31 March 2020 is £15,611 (31 March 2019: £240,443). These charges are offset by a capital contribution from Legg Mason, Inc. recognised in reserves.

On 13 May 2016 Legg Mason, Inc. issued share-based payments to certain employees. The charge reflected in the profit and loss account for the year ended 31 March 2020 is £6,658 (31 March 2019: credit of £7,432). A proportion of the shares are cash-settled by Martin Currie Investment Management Limited and the remaining charges are offset by a capital contribution from Legg Mason, Inc. recognised in reserves.

NOTES TO THE FINANCIAL STATEMENTS (cont.)
For the year ended 31 March 2020

13. SHARE-BASED PAYMENTS (cont.)

Martin Currie funds based compensation

Martin Currie Investment Management Limited acquired units in Martin Currie funds for certain employees in lieu of bonus. The aggregate cost is being spread over the performance period to which the payment relates, using the straight-line method. The charge recognised in the year ended 31 March 2020 is £724,851 (31 March 2019: £479,938). These charges are included within staff costs. The market value of the investments at 31 March 2020 of £1,393,467 (31 March 2019: £1,052,020) is included within Current Assets - Amounts due from parent undertakings. The amount due to employees is included within Creditors, reflecting the amortised cost to date adjusted for the fair value adjustment to the investments representing the difference between cost and market value at the balance sheet date and excluding units vested.

14. INTANGIBLE ASSETS

	Software development £000	*Total* £000
Cost:		
At 1 April 2019 and 31 March 2020	517	517
Accumulated amortisation:		
At 1 April 2019 and 31 March 2020	517	517
Net book value:		
At 31 March 2019 and 31 March 2020	-	-

Software development costs have been capitalised in accordance with FRS 102 - Section 18 Accounting for research and development. The costs relate to the development of a data warehouse and were fully amortised during the year ended 31 March 2017.

15. TANGIBLE ASSETS

	Leasehold improvements *£000*	*Office equipment* *£000*	*Total* *£000*
Cost:			
At 1 April 2019	1,220	1,886	3,106
Additions	16	19	35
Disposals	(19)	(985)	(1,004)
At 31 March 2020	1,217	920	2,137
Accumulated depreciation:			
At 1 April 2019	283	1,483	1,766
Provided during the year	113	198	311
Disposals	(14)	(969)	(983)
At 31 March 2020	382	712	1,094
Net book value:			
At 31 March 2020	835	208	1,043
At 31 March 2019	937	403	1,340

16. INVESTMENTS

Associates

Martin Currie Investment Management Limited owns 49% of the ordinary share capital of Heartland (Shanghai) Investment Consulting Company Limited (HICC), a company registered in China. As at 31 March 2020, HICC is going through the process of liquidation. The investment was written down to nil in 2011.

NOTES TO THE FINANCIAL STATEMENTS (cont.)
For the year ended 31 March 2020

17. DEBTORS

	2020 £000	2019 £000
Amounts falling due within one year		
Trade debtors	1,305	829
Amounts owed by parent undertakings	5,403	7,917
Amounts due from fellow subsidiary undertakings	2,504	3,814
Overseas tax	-	4
Indirect taxes	371	565
Prepayments and accrued income	6,543	4,589
	16,126	17,718

18. CREDITORS: amounts falling due within one year

	2020 £000	2019 £000
Amounts owed to parent undertakings	240	-
Taxation and social security	555	1,773
Other creditors	855	720
Accruals and deferred income	9,327	11,725
	10,977	14,218

Amounts owed to group undertakings are non-interest bearing and are repayable on demand.

19. CALLED UP SHARE CAPITAL

	2020 Number	2019 Number	2020 £000	2019 £000
Issued and fully paid:				
Ordinary shares of £1 each	310,596	310,394	311	310

In May 2019, June 2019, November 2019 and March 2020 the company issued 44, 72, 50 and 36 ordinary shares of £1 each respectively.

20. FINANCIAL RISK MANAGEMENT

On 1 January 2014, the fourth iteration of the Capital Requirement Directive ('CRDIV') implemented the Basel III accord. This also resulted in the Capital Requirements Regulation ('CRR').

The CRDIV/CRR mandates three "pillars" of risk-based capital management and disclosure:
(i) Pillar 1 sets out the minimum capital requirements to meet credit, market and operational risk;
(ii) Pillar 2 requires firms (and their regulators) to consider whether additional capital should be held to cover risks not adequately covered by the Pillar 1 requirements: and
(iii) Pillar 3 requires firms to publish certain details of their policies for managing risk and their capital resources.

The Pillar 3 disclosures relevant to Martin Currie Investment Management Limited are established via CRR, Part Eight - Disclosures by Institutions. This disclosure can be found on the Martin Currie group website, on a consolidated basis at Martin Currie Limited level , at www.martincurrie.com.

The Capital Requirements Directive Reporting Regulations 2013, enacted by the European Union, implement Article 89 of the Capital Requirements Directive 4. The Country-by-country reporting disclosure statement required under this directive can be found on the Martin Currie group website at www.martincurrie.com.

Risk is an inherent part of Martin Currie Investment Management Limited's business and the extent to which risks are properly identified, assessed, managed and monitored is critical to reputation, commercial success and to ensuring good outcomes for clients.

To achieve this, a robust risk management framework is in place that includes the design, by management, of suitable systems and controls which facilitate informed risk-based decision making.

The company has some exposure to operational, foreign exchange risk and limited exposure to liquidity, credit and counterparty and market price risk. The company has established a comprehensive framework for monitoring changes in the market and responding accordingly.

NOTES TO THE FINANCIAL STATEMENTS (cont.)
For the year ended 31 March 2020

20. FINANCIAL RISK MANAGEMENT (cont.)

a) Foreign exchange risk

The company is exposed to some foreign exchange risk as a result of intercompany balances due from overseas entities within the Martin Currie group, other foreign currency debtors and overseas bank balances. In order to mitigate risk, intercompany debtors and bank balances are repatriated on a regular basis and foreign currency debtors are settled on a quarterly basis. As at 31 March 2020, the company had the following positions in a foreign currency:

	2020	*2019*
Debtor balances:	*£000*	*£000*
US Dollar	3,037	6,217
Euro	-	78
Japanese Yen	-	38
Australian Dollar	1,415	1,084
Bank balances:		
Chinese Renminbi	28	26
Australian Dollar	79	83

b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due or can only do so at a significantly increased cost. Martin Currie Limited group's management establishes the overall liquidity and capital policies of the group. The group's risk management policies are designed to mitigate the potential risk that the group and company may be unable to access adequate financing to service its financial obligations when they fall due without adverse business impact. The Martin Currie Limited group has cash surpluses available to fund ongoing operations and future developments. The company also has the capability of requesting further liquidity from Legg Mason, Inc. if required.

c) Credit and counterparty risk

The company's principal financial assets are bank balances, trade debtors, accrued income and prepayments. Credit risk is the risk of unexpected losses to the company if a client is unable to pay in full amounts when due, and arises principally from the company's receivables from customers. Levels of receivables are monitored regularly by senior management and exposure is spread over a large number of counterparties. The most significant counterparty in respect of bank balances is Barclays Bank plc. The company's counterparties are principally institutions with credit ratings assigned by international ratings agencies. No credit risk mitigation techniques are applied.

d) Market price risk

Market risk is defined as the current or prospective risk to earnings or value arising from adverse movements in equity and commodity prices, interest and/or foreign exchange risk (which is covered in more detail at a) above.) The company's primary exposure to market risk is through earnings volatility relating to equity markets. The company has in place robust processes to monitor market price risk and respond to changes accordingly.

e) Operational risk

Operational risk is defined as the risk of reduction in earnings and/or value, through financial or reputational loss, from inadequate or failed internal processes and systems, or from people related or external events. In accordance with regulatory requirements capital is held against a number of operational risks.

21. OTHER FINANCIAL COMMITMENTS

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

	Land & buildings	*Land & buildings*
	2020	*2019*
	£000	*£000*
Within one year	789	913
In the second to fifth year inclusive	3,112	3,527
In over five years	1,818	2,598
	5,719	7,038

NOTES TO THE FINANCIAL STATEMENTS (cont)
For the year ended 31 March 2020

22. RELATED PARTY TRANSACTIONS

The company's ultimate parent undertaking is Legg Mason, Inc.. The consolidated financial statements of this company are publicly available and include the balances of transactions with group members who are wholly owned related parties of the group. Under the provisions of FRS 102 Section 33, transactions with related parties who are wholly owned by a common parent are not disclosed. Also, a qualifying entity exemption has been taken which removes the requirement to disclose compensation to key management personnel in total.

23. PENSION COMMITMENTS

The Martin Currie Retirement & Death Benefits Plan is split into two sections. The defined benefit section provides benefits based upon members' salaries as at 1 June 2005, or date of leaving if before, increased at a capped rate of inflation. This section of the scheme closed to new entrants in September 1999 and closed to future accrual with effect from 30 September 2014. From September 1999, new entrants were admitted to the Money Purchase section of the scheme where contributions were graduated by age. On 31 December 2008 the Money Purchase section of the scheme was closed for future contribution. From this date contributions have been paid into the group self-invested pension plan. On 30 September 2014 the assets and liabilities of the scheme were transferred to Martin Currie (Holdings) Limited and it became the principal employer. Subsequent to this Martin Currie Management Limited was admitted as an employer and undertook principal responsibilities with effect from 12 August 2017. The assets and liabilities of the scheme were transferred to Martin Currie Management Limited on 14 August 2017.

The charge for the year in relation to the group self-invested pension plan and other schemes amounts to £1,781,627 (2019: £2,190,577).

24. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

Martin Currie Limited, a company registered in the United Kingdom, is the immediate parent company of Martin Currie Investment Management Limited. Their financial statements are not consolidated.

The ultimate parent company and controlling party is Legg Mason, Inc.. The financial statements of Legg Mason, Inc. are the largest and only group for which consolidated financial statements are prepared at 31 March 2020. Copies of the consolidated financial statements of Legg Mason, Inc. are available from 100 International Drive, Baltimore, MD 21202, USA.

25. CONTINGENT LIABILITIES

On 12 August 2017 the principal employer of the Martin Currie Retirement & Death Benefits Plan changed from Martin Currie (Holdings) Limited to Martin Currie Management Limited. At this date Martin Currie Management Limited took on responsibility for the future funding of the Plan, including contributions to make good any actuarial deficit. A trust deed was put in place and included a guarantee that in the event that the sponsoring employer failed to make a payment any outstanding amounts would be settled by Martin Currie (Holdings) Limited. The level of guarantee undertaken by Martin Currie (Holdings) Limited is a maximum amount equal to the entire aggregate liability in relation to the Scheme under Section 75(2) of the Pensions Act 1995. If Martin Currie (Holdings) Limited fails to make good any overdue payments these would then become the responsibility of Martin Currie Investment Management Limited. The maximum liability of Martin Currie Investment Management Limited is restricted to 110% of the Section 179 valuation as at the immediately preceding 31 May.

26. SUBSEQUENT EVENTS

On 15 May 2020, Legg Mason's shareholders approved the acquisition by Franklin Templeton, completion of the acquisition is subject to additional closing conditions.

Subsequent to the year end, a capital injection of £1.5m was made by Martin Currie (Holdings) Limited, through Martin Currie Limited, to Martin Currie Investment Management Limited, in relation to the bonus deferral process that occurred in May 2020. This involved the issue of 30 ordinary £1 shares and an increase to share premium.