COMPANY NUMBER SC113505

KAMES CAPITAL PLC

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

KAMES CAPITAL PLC

COMPANY INFORMATION

Chairman	Sarah A C Russell, MAF (resigned 26 September 2019) David K Watson (appointed 26 September 2019)
Directors	Martin M A Davis, MBA, Dip, MRS (Chief Executive) (resigned 23 September 2019) Sarah A C Russell, MAF (resigned 26 September 2019) Arnab K Banerji, MA, BM, BCh David K Watson, BSc, ACA Stephen J M Jones, BA (appointed Chief Executive 23 September 2019) Jane Daniel ACIB, FCIBS (appointed 12 December 2019) Bas NieuweWeme (appointed 6 March 2020)
Secretary	Alison Talbot, LLB (resigned 23 December 2019) Gordon Syme, LLB (appointed 17 January 2020)
Company Number	SC113505
Registered Office	Kames House 3 Lochside Crescent Edinburgh Park Edinburgh EH12 9SA
Independent Auditors	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh EH3 8EX

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Principal and ongoing activities

The principal activities of the Company are those of institutional investment advice, investment management and investment administration services for clients in the UK and abroad and acting as Authorised Corporate Director (ACD) of Kames Capital ICVC (an Open-Ended Investment Company), the Kames Capital Investment Portfolios ICVC and the manager of the Kames Capital Unit Trust. The Company also acts as investment manager of the Kames Capital Investment Company (Ireland) plc and the Kames Capital QIF plc. The Company is incorporated and domiciled in Scotland and is regulated by the Financial Conduct Authority (FCA).

Business model and strategy

Kames Capital's aim is to use our investment management expertise to help people achieve a lifetime of financial security. The Kames Capital Group consists of Kames Capital Holdings Limited, Kames Capital Plc and Kames Capital Management Limited.

Kames Capital remains dedicated to active management. We have capabilities in fixed income, real assets, equities, multi-asset and cash investing and invest to meet a range of client objectives, including growth, income, total return and absolute return. We are also a leader in sustainable investing.

Kames Capital is part of Aegon Asset Management, an international group of investment management businesses owned by Aegon NV, one of the world's leading providers of financial services. As part of Aegon Asset Management we offer our clients access to the best products and services from Kames Capital and our sister companies across the group. We manage investments on behalf of UK and international clients, including pension funds, financial advisers, financial institutions, charities, wealth managers, family offices and individuals.

Market environment

Equity markets responded to the dramatic sell off in Quarter 4 2018 by delivering strong returns across all geographies throughout 2019. World equities rose 28%, led by US equities (31%) and European stocks (27%). The robust rally on Quarter 1 was primarily driven by central banks indicating they would supply yet more stimulus in an attempt to keep the economic expansion intact. The response from equity investors indicated their positivity. From the end of Quarter 1 to the end of the year markets were broadly flat with few periods of increased volatility as trade negotiations between the US and China continued and as macroeconomic indicators deteriorated.

Despite the performance of equity markets, Government bond yields fell, and as at the end of September, while the MSCI World Index was up 18%, the 20+ Year Treasury Index was up 20%. However as we entered Quarter 4, equities drove higher still and bond prices started to fall back as US and Eurozone manufacturing business surveys picked up slightly although remaining weak overall. At the same time the service sector business surveys also picked up. This increase, as well as the resilience of overall employment helped to retain market confidence. In December the Conservative Party won a significant majority in the first winter general election in a generation. This victory removed the threat of nationalisation for some utility companies and led to a sector rally of 6%. In addition this victory removed a great geopolitical uncertainty as it led to the passing of the European Union Withdrawal Bill.

Regulatory environment

During 2019 we finalised our Brexit planning by making various notifications to maintain the sale of our Irish funds into the UK through the FCA's temporary permissions regime. Client facing operations for EU clients were also moved to our Dutch affiliate in the Hague as we made arrangements to serve our clients in a manner that would provide protection from a hard Brexit. The agreement of a memorandum of understanding between the FCA and ESMA in early 2019 gave comfort that the provision of investment management to European clients, such as our Irish fund range, would be unaffected by the outcome of Brexit. Specific to the UK, we completed work on the clarity of fund objectives for our FCA authorised fund range. Work also began on our assessment of value which is due to be delivered in 2020. The extension of the Senior Managers & Certification Regime to solo-regulated firms was implemented in December and, like the Market Study, work continues into 2020 to implement the final parts of this change before the relevant deadline. Regulatory obligations on asset stewardship and responsible investing also were established with the UK implementation of the updated Shareholder Rights Directive in June, which has some cross-over with the new UK Stewardship code for 2020. Further developments related to stewardship, fund liquidity and responsible investing are expected in 2020 and beyond.

Review of the Company's business

The main operational priority for the Kames Group in 2019 was to deliver a successful consolidation of the leadership team and business functions with our Dutch sister company Aegon Investment Management BV, whilst maintaining two distinct legal entities. Creating a single leadership team has allowed us to strengthen our product proposition and share and implement best practice.

Against the above market background and resignations within the Fixed Income team the company delivered a loss for the year of (£6,406k) (2018: profit of £5,776k). The Company did not pay a dividend during the year (2018: £nil). This was equivalent to 0.0p per share (2018: 0.0p). Given the circumstances the Company has faced, the Board of Directors consider the results to be disappointing, but acceptable. The Directors do not recommend payment of a final dividend (2018: £nil) in order to preserve resources to fund the future development of the company. This is equivalent to 0.0p per share (2018: 0.0p).

The Company's net assets at the end of the year were £55,507k (2018: £61,913k). This is in line with Directors' expectations in the circumstances.

The Company holds an investment in its subsidiary, Kames Capital Management Ltd at cost of £1m (2018: £1m).

On 23 September 2019 Martin Davis resigned as a Director. On 26 September Sarah Russell resigned as a Director. On 12 December 2019 Jane Daniel was appointed as a Director. On 6 March 2020 Bas NieuweWeme was appointed as a Director. On 23 December Alison Talbot resigned as Company Secretary. On 17 January Gordon Syme was appointed as Company Secretary. All other directors served throughout the year and up to until the date of this report.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Development and Performance of the Company's business during the financial year

The following review covers the results of Kames Capital Plc. The Board of the Company monitors key management information on a quarterly basis to track business performance. This information includes investment performance, assets under management, revenues, expenses, headcount and available capital compared to requirement. Assets under management (AUM) increased by 0.3% during 2019 to £36.7bn (2018: reduced by 15.8% to £36.6bn) as the positive upturn in markets over the course of the year offset some of the losses from Third Party funds and increased Insured funds. Revenue decreased by 18.0% (2018: 10.5%) as outflows from the Third Party book as a result of the departure of Fixed Income fund managers in 2018 and 2019 led to outflows from our OEIC funds which generate higher fees than on our Insured business. Administrative expenses reduced by 2.6% (2018: 7.3% decrease) as cost control yielded savings, however this was not sufficient to mitigate the lost revenue suffered resulting in the company moving into a loss making position. The total monthly average number of employees during the year increased by 0.2% (2018: decreased by 7.1%) to 314 FTEs from 313 FTEs.

The combined performance of Kames Capital Plc and its subsidiary, Kames Capital Management Ltd saw an increase in assets under management of 0.3% (2018: 15.8% reduction) with Third Party assets reducing by 17.9% (2018: 20.1% increase). Revenues reduced by 17.9% (2018: 10.8%) compared to the previous year with Profit before tax reducing by 202.9% as the impacts noted above moved Kames Capital Plc from a profitable position into a loss making one. (2018: 38.6%).

Future Development

In December 2019 Bas NieuweWeme (Chief Executive of Aegon Asset Management) launched a new strategy for Aegon Asset Management which will result in closer integration across the globe and the retirement of the Kames Capital brand over the course of 2020. This strategy is designed to increase access to global products, deepen global capabilities and streamline operational processes.

As a legal entity we believe that Kames Capital remains in a strong position to deal with the impact of Brexit. Our closer integration with the other arms of Aegon Asset Management will allow us to reach new markets and investors and our fund offerings in the UK and Ireland continue to allow us to serve markets in the UK and continental Europe. We continue to monitor the progress of Brexit negotiations as well as other geopolitical and market risks.

Following further resignations within our Fixed Income team, we intend to leverage this augmented product expertise to improve the results of the business while the fixed income proposition stabilises and rebuilds. We managed to retain a number of at risk clients and implemented management actions to secure the futures of key investment and sales staff over the short to medium term.

At the outset of 2020 the primary commercial priorities for the Kames Group are to return the business to profit through increased third party sales and lowering the operational cost of delivery. Simultaneously we will embark upon a programme of full cooperation with sister companies throughout Aegon Asset Management following the new strategy announced in December 2019.

Creating this single, truly global, asset management company will allow us to strengthen our product proposition, reach new markets, implement best practice and deliver operational efficiencies.
We continue to see strong interest across our product range, especially in our multi asset and equity income strategies as well as sustainable equity. Further, now that stability has returned to the fixed income team, we are confident of accelerating third party flows into our offerings in this space.

During the first quarter of 2020, the impacts of the COVID-19 pandemic have significantly impacted both economic markets and established ways of working within the Company and the wider group within which it operates. As the value of Company's assets under management fall it is expected that accompanying impacts on the Company's fee revenue will also suffer. Cost saving measures have been implemented within the Kames Capital Group. The directors believe that the identified cost savings will materially offset any lost revenue. Further detail is provided in note 17 – Post Balance Sheet events.

Description of the principal risks and uncertainties facing the Company

The Company operates a formal risk management framework to assess risk and mitigating controls. In addition the Company reviews risk as part of its Internal Capital Adequacy Assessment Process (ICAAP). The Directors consider that the Company is subject largely to market risk, reputational risk, product risk, regulatory risk and operational risk. We operate a policy which is designed to ensure that after taking account of mitigating actions the Company maintains a level of capital that is appropriate for the risks it faces.

- Credit and Counterparty Risk considers the risk that the failure of a counterparty to meet its obligations leads to a financial loss to the company, both through the loss of any monies owed to the company by the counterparty and the cost of re-instating economic exposure in the case of counterparty default.
- Market Risk considers the risk that adverse movements in market values, such as foreign exchange rates, interest rates and equity prices will affect the firm's income or the value of its assets and liabilities.
- Business Risk considers the risk of losses due to failed or inadequate strategy execution, marketing and sales practices, distribution channels, pricing, investment return, handling of customer complaints or late reaction to changes in the business environment.
- Concentration Risk considers the risk that results from a lack of diversification. The risk can arise from an uneven distribution of counterparties in credit or any other business relationships or from a concentration in business sectors or geographical regions.
- Group Risk considers the risk that the company is adversely affected by its relationships, place in the structure or the obligations (financial and non-financial) placed upon it by Aegon Asset Management and/or the wider Aegon Group.
- Liquidity Risk considers the risk that the company does not have sufficient liquid financial resources to meet its obligations as they fall due.
- Operational Risk considers the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

CORPORATE GOVERNANCE AND CAPITAL MANAGEMENT

Corporate governance

Consistent with the Aegon Asset Management (AAM) global governance framework, the Company has established a governance framework for monitoring and overseeing strategy, culture, conduct of business standards and operations of its business that includes:

- A clear organisational structure, written terms of reference for the Board and clearly delegated authorities to underlying committees and individuals;
- An independent internal audit function which provides independent, objective assurance over the control framework with direct access to Board members and senior management;
- A regular ring-fenced Board session to oversee operational risk management, regulatory compliance and general controls within the Company;
- A Risk Management function providing a second line of defence which is independent of business operations. The function has responsibility for monitoring and reporting risk;
- A Compliance team, part of the second line of defence, with responsibility for managing the relationship with key regulators, contributing to strategic change, establishing and maintaining the financial crime framework and monitoring and reporting on compliance with regulations;
- A first line Regulatory Team that identifies and mitigates risks from future political and regulatory change.

As at 31 December 2019, the Board had three non-executive members and one executive member. One non-executive director is also a director of Aegon Asset Management Holding B.V., the Company's intermediate parent undertaking.

The Company complies with rules and guidance issued by the Financial Conduct Authority (FCA) and other relevant regulators, which include high level standards covering Principles for Business and Senior Management Arrangements, Systems and Controls and requirements for the way the firm conducts its business. The Company is a Core Firm for the purposes of the Senior Manager and Certification Regime from the implementation date of 9 December 2019.

New corporate governance reporting requirements were introduced under the Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations") and apply to companies meeting specific qualifying conditions. The Company meets some of these qualifying conditions and is required in its Annual Report to include:

i) a compliance statement regarding directors' regard to the matters under section 172(1) (a) to (f) of the Companies Act 2006 in the performance of their duties;

ii) a summary of directors' engagement with employees;

iii) a summary of directors' engagement with stakeholders describing how the directors have had regard to the need to foster the Company's business relationships with suppliers and customers This includes the impact on the principal decisions taken by the Company during the financial year; and

iv) a statement of corporate governance arrangements which details the corporate governance arrangements in place in the case where a corporate governance code has not been applied.

(i) Section 172 (1) Companies Act 2006 Statement (also available on the Company's website: www.kamescapital.com)

A director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) The likely consequences of any decision in the long term;
(b) The interests of the company's employees;
(c) The need to foster the company's business relationships with suppliers, customers and others;

(d) The impact of the company's operations on the community and the environment;
(e) The desirability of the company to maintain a reputation for high standards of business conduct; and
(f) The need to act fairly as between members of the company.

The role of the Board is to promote the long-term sustainable success of the Company, generating value for its shareholders and wider stakeholders.

a) Section 172 duty to consider the likely consequences of any decision in the long term
Board discussions consider the long-term consequences and customer and wider stakeholder implications of all decisions. Strategy, at a local and AAM global level, is also considered to ensure decisions are informed by long-term strategic direction. By way of example, this long-term perspective informed consideration of whether to outsource certain functions to an overseas affiliated company. Relevant Board papers highlighted the implications for, amongst others, employees, customers and suppliers. The Board considered promoting the success of the Company and the benefit of its members as a whole when deliberating on the outsourcing to the overseas affiliated company. More specifically, they had regard to:

i) The likely consequences of any decision in the long term;
   - Outsourcing aligned with the wider strategic goals to reduce costs and create a centre of excellence in a jurisdiction where the Aegon community was already established through other servicing affiliates
   - The project was executed in phases for a better management of retention risk
   - The size and scale for resilience was considered with activities originally outsourced transferring in-house
   - Market conditions in the new jurisdiction (geopolitical, labour pool, attrition) were taken into account

ii) The interests of the Company's employees;
   - HR implications were considered within the UK
   - Communications were intended to make ensure that UK employee morale was considered and that staff as a whole understood the benefits of the decision and continued to trust the Company as an employer
   - Management communicated the decision in a transparent manner with face-to-face interactions
   - Employees were given fair treatment. The option to relocate was provided to all impacted staff as an alternative. The majority of the individuals impacted have found roles elsewhere in the Company
   - The same global and local policies on employment and best practice were applied (including governance and risk framework)

iii) The need to foster the Company's business relationships with suppliers, customers and others;
   - KPIs (operational KPIs of the branch such as KRIs, HR turnover, cost) increased month over month, and processing times for BAU and ad-hoc support were improved by roughly 10%
   - It was ensured all stakeholders received the required information; specifically customer contracts and expectations were considered and customer relationships managed appropriately.

iv) The desirability of the Company to maintain a reputation for high standards of business conduct;
- The decision was discussed and debated at the Board, and taken within the remit of the corporate governance framework, articles of association and risk appetite of the Company
- Standards of business conduct maintained at new outsourcing location.

v) The need to act fairly as between members of the company;
- At the early stages directors abstained from voting where discussions on the strategic direction had been discussed at the MB level. Potential for conflict of interest was closely considered throughout.

During 2019, the Directors also received training from subject matter experts on a wide range of topics, including Senior Managers and Certification Regime, Asset Management Market Study, Agile delivery and Information Security. Such training helped to ensure that the Directors were kept up-to-date with the range of matters discussed.

b) Section 172 duty to consider the interests of the company's employees
Employees are a key stakeholder of the Company. During 2019 employee engagement was boosted by informal sessions where employees could engage directly and in small numbers with executives, called the "Brown Bag lunches" initiative. This channel of engagement offered employees the opportunity to directly engage with the Directors.
The Company complies with Gender pay gap reporting and actively strives to close the gender gap by aiming to include this consideration into its recruitment process. The Company is continuing to work on gaining higher gender diversity of its senior leadership team. The Company is on track to offering Unconscious Bias training to all of its employees, striving to become more inclusive in terms of age, gender, ethnicity, religion, disability, sexual orientation, education and national origin. Fostering inclusion and harnessing diversity is ultimately for the benefit of the Company's employees. The Company welcomes and encourages employee participation in the delivery of its Inclusion & Diversity approach. In order to take into account the employees' position towards Inclusion & Diversity, the Company published an Inclusion & Diversity statement followed by a survey during 2019.

c) Section 172 duty to consider the need to foster the company's business relationships with suppliers, customers and others
In respect of engagement with suppliers, the Directors are informed of and discuss the Company's relationship with its key suppliers. This includes the status of the relationship with each key supplier, key performance indicators and general relationship management. The Board is also regularly updated regarding the key activities being undertaken by the Company to strengthen its approach to supplier management.

d) Section 172 duty to consider the impact of the company's operations on the community and the environment
The Company believes that it is its responsibility to encourage companies to maximise investment returns through good governance practices, including respect for society and the environment. As a significant shareholder in many companies, the Company is well-placed to actively promote best-practice in environmental, social and governance matters.
The Company supports a culture of continuous improvement having set a range of sustainability objectives and targets, which the Sustainability Working Group regularly reviews. The Company reports on its performance through an annual Sustainability Report, which was last published in April 2019.
The Company is on track in terms of implementing the measures necessary for compliance with the Streamlined Energy and Carbon Reporting framework.

e) Section 172 duty to consider the desirability of the company to maintain a reputation for high standards of business conduct

Directors take into account the fact that the Company is an FCA authorised entity and that the Company operates its business in a regulated environment. The Directors take decisions within the confines of the Company's corporate governance framework, articles of association and risk profile. There is a focus for the Company to maintain a reputation for high standards of business conduct in upholding a culture of accountability and treating customers fairly. The Company's focus on clients is reflected at Board level, with the Board receiving updates and reports on TCF and CASS compliance.

The Company prioritises a culture of inclusion and diversity, with a non-executive director being appointed to the role of Inclusion and Diversity Ambassador. The Company annually reviews its Modern Slavery Act Statement and its Tax Policy, both disclosed on its website here. The Company participated in the Future Asset initiative, whereby professionals joined a charity event aimed at educating girls and their teachers in Scottish schools about career opportunities in investment.

f) Section 172 duty to consider the need to act fairly as between members of the company

The Directors of the Company actively consider where a conflict of interest may arise, are well versed in managing conflicts of interest and abstain from voting as required. This occurred during 2019 when AAM Management Board members abstained from voting on matters on which they felt conflicted in voting at the Company's Board.

(ii) Summary of Directors' engagement with employees

The requirements in relation to employee engagement build on the existing Companies Act disclosure requirements on employees, and they are relatively detailed and prescriptive, with the statement:

(a) Describing the action that has been taken during the financial year to introduce, maintain or develop arrangements aimed at:
- Providing employees systematically with information on matters of concern to them as employees,
- Consulting employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests,
- Encouraging the involvement of employees in the company's performance through an employees' share scheme or by some other means, and
- Achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company, and

(b) Summarising:
- How the directors have engaged with employees, and
- How the directors have had regard to employee interests, and the effect of that regard, including on the principal decisions taken by the company during the financial year.

The Executive Directors and senior management have systematically engaged with employees and provided them with up-to-date information on matters of concern to them through quarterly Town Hall meetings where the Chief Executive Officer or another executive provides a business update. Employees are encouraged to ask questions either in person or anonymously via text message. This acts as a direct forum where employee concerns are addressed.

The Company issues regular annual and also ad hoc opinion surveys which allow the employees to express their views. Results are shared and teams encouraged to devise action plans, senior management gains a valuable insight into employees' concerns through the surveys and results are considered at Executive Director level.

The Company has adopted a Bonus Scheme based on company and individual performance. This encourages employees to meet their personal and business objectives and drive company performance.

During the Town Hall meetings and by way of ad hoc email updates, employees are encouraged to learn more about the Company's financial position and the economic factors affecting its performance.
Executive Directors invited groups of employees from a variety of functions to dinner on a number of occasions asking for their input on business progress and how the Company could grow further in the future. This feedback was considered in subsequent decisions.
The Company's senior management group, made up of senior leaders from throughout the business, meet periodically to discuss overall business performance and areas of concern and development.
Following a turnover in one of the Company's investment management teams, the Chief Executive Officer organised a follow-up session with the team to address any concerns and to enhance employee relations.
The Company takes part in the Investment 2020 programme which is designed to help young people start a career in the investment industry. The Company aims to offer trainees progression to permanent roles, giving young people the opportunity to develop their careers through hands-on experience and qualifications.

(iii) Summary of Directors' engagement with stakeholders (suppliers and customers)

The requirements for reporting on stakeholder engagement comprise a statement summarising how the Directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, including on the principal decisions taken by the Company during the financial year. The Board receives updates on supplier management every quarter from the Operations Team. These updates focus on the Company's business relationships with suppliers and ensure visibility of the supply chain.
The Board receives updates on customer engagement every quarter through a TCF Report and reporting from the sales and client management teams. This, together with the results of the Company's annual customer surveys, provide the Board with the necessary insight on the Company's business relationship with customers and how this relationship can be improved.

(iv) Statement of corporate governance arrangements

This framework is based upon the UK Corporate Governance Code and the Dutch Corporate Governance Code but the Company does not apply either Code in its entirety.
Kames Capital plc shares are unlisted, therefore it is not required to adopt a corporate governance code. The current corporate governance arrangements, combined with the strengthened employee/stakeholder engagement, constitute sufficient implementation of the Regulations. The current corporate governance arrangements will remain the same and in force for the future and together with the corporate governance framework, represent the Company's corporate governance position.

Consistent with the governance framework promulgated by Aegon Asset Management (AAM) for the AAM group the Company has established a governance framework for monitoring and overseeing strategy, conduct of business standards and operations of the business across the company. This includes a clearly stated corporate organisational structure, appropriate delegated authorities and independent internal audit and risk management functions.

Capital Management

Risk management for the Company operated within this governance framework.

The Company's capital consists of Issued Share Capital and Retained Earnings. The Company's objective in managing its capital is to ensure that there are adequate resources to meet the Company's regulatory capital requirement, its liabilities as they fall due, and to allocate capital efficiently to support growth with excess capital distributed to shareholders where appropriate. The Company's capital is managed both on a solo basis and at consolidated levels with that of other Companies in the Kames Group (Kames Capital Holdings Limited, Kames Capital Plc and Kames Capital Management Limited). The Company manages its capital by measuring its resources and cash available on a regular basis. The Company's capital position and the movement in this from the prior year are disclosed within the Statement of Changes in Equity.

The Company is regulated by the FCA and maintains capital in line with the Capital Requirements Directive (CRD). The Directors operate a policy which is designed to ensure that the Company maintains a level of capital that is appropriate for the risks it faces. The Company prepares an ICAAP document at least annually or as circumstances require which sets out the amount of risk assessed capital the Company is required to hold. Disclosures relating to the ICAAP are contained within the Pillar 3 section of the Company's website below. Following review by the Executive of the adequacy of its capital position, the Company reports to the FCA and the Board on a quarterly basis.

http://www.kamescapital.com/disclosures.aspx

Country by Country Reporting under CRD IV

Under the terms of CRD IV the company is required to complete Country by Country Reporting on a consolidated basis along with other companies in the Group and make this report available on its website. The company is required to report :-

- The location of the institution and any related subsidiaries and branches
- Turnover
- Average number of employees on a full time equivalent basis
- Profit or loss before tax
- Corporation tax paid
- Public subsidies received

Disclosures relating to Country by Country Reporting are contained within the Company's website:

http://www.kamescapital.com/disclosures.aspx

Risk and Financial Instruments within the Statement of Financial Position

The Company has a very simple Statement of Financial Position consisting largely of cash and current assets and liabilities.

The Company is not exposed to significant financial instrument risk. Financial instruments comprise primarily the stock of shares held to seed share classes in the OEIC, trade receivables and cash and short-term deposits. Details of the stock of shares can be found in note 9. Credit risk is significantly reduced as assets are primarily cash and short term deposits, which are placed with major banks of acceptable credit standing (-A rated or higher), and trade debtors relating to Kames Capital ICVC, the Kames Capital Investment Portfolios ICVC, and the Kames Capital Unit Trust settlements which are matched by related creditors. Market risk relating to the stock of shares is subject to regular monitoring and reporting. The management of risk in relation to financial instruments is given in note 14.

Credit Risk

The Company offers standard industry credit terms to clients and has an appetite for limited credit risk for this purpose. Aged items exceeding these terms are monitored against set thresholds for acceptable overdue debts. Action is taken to recover such debts (through deduction from client assets if appropriate). The Company's main sources of non-client related credit risk are the Custodian of the Kames Capital ICVC and Investment Portfolio ICVC or other Aegon Group companies. These risks are considered inherent in the business activities of the Company. No restrictions are imposed on the size of such debts, but the Company aims to collect these in a timely way.

The Company's cash balances are held by a number of counterparties. Bankruptcy or insolvency of these counterparties may cause the Company's rights with respect to the cash balances to be delayed or limited. The Company operates a counterparty management policy which sets tolerance limits over the cash holdings based on the credit rating of the counterparty. The Company monitors the credit quality of the relevant counterparties and should the credit quality or the financial position of these counterparties deteriorate significantly the Company would move the cash holdings over to another bank.

Liquidity Risk

The Company has a low tolerance for liquidity risk. It operates a liquidity risk management policy setting out minimum threshold levels. Its liquidity position is reported to key management personnel on a quarterly basis. The Company's assets are in cash or short term deposits and invoices are settled as they fall due without the need to realise illiquid assets. Shortfalls are tolerated only for very short periods. Such situations are managed by borrowing from the Company's bank. The Company has an intra-day credit facility with the Royal Bank of Scotland.

Market Risk

The Company has direct market risk only through the stock of Kames Capital ICVC shares held for seed investment of new share classes within the Kames Capital ICVC. A seed policy with specified limits exists ensuring that the company does not suffer significant direct market risk. The Company has no appetite for other direct market risk, other than through exposure to foreign currency bank balances or receivables. Revenues are impacted by market risk as they are dependent upon the value of assets under management (Note 14). The Directors consider this risk to be uncontrollable; it is inherent in the business of asset management. This risk is mitigated through diversification of our asset management capabilities across various asset classes. Potential market risk is monitored through scenario analysis and the Company aims to hold a level of capital that will afford protection against a significant market downturn.

This report was approved by the Board of Directors and authorised for issue on 24 April 2020.

Signed on its behalf by

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Stephen JM Jones
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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

Structure of these financial statements
The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2019 and applied in accordance with the Companies Act 2006.

As described in the accounting policies, consolidated financial statements have not been prepared because Kames Capital Plc is a subsidiary of the ultimate parent Company, Aegon N.V., a European Company into which the results of Kames Capital Plc are consolidated. Aegon Asset Management Holding B.V. also prepares consolidated IFRS financial statements which incorporate the results of the Company.

Results and Dividends
The Directors' review of the results for the year and recommendation relating to dividends is included within the Strategic report.

Future developments
The Directors' view of the future development of the business is included within the Strategic Report.

Financial Risk Management
Details of the Company's financial risk management can be found within the Strategic Report.

Directors and their Interests
The Directors who held office during the year and up to the date of signing the financial statements are shown on page 1. Details of changes to Directors who held office during the period are included within the Strategic report.

The Directors have declared that they had no interest in the share capital of the Company in the year to 31 December 2019.

Each of the Directors has been granted a qualifying third party indemnity by the Company, in terms of the relevant sections of the Companies Act 2006 which was in force for the period from 1 January 2019 to the date of signing of the financial statements.

Section 172 Report
Section 172 duties were taken into account by the Directors within the Corporate Governance section of the Strategic Report.

Going Concern
In assessing whether the Company is a going concern the Directors have taken into account the guidance issued by the Financial Reporting Council. The Strategic Report includes a review of the Company's business and future developments and a description of the Company's risk and capital management and exposure to financial instruments. After making enquiries, which include considering the liquidity of the Company's assets, the expected impact of COVID-19, it's adequacy of capital resources in light of continued losses and the impact of the coronavirus, and confirmation of the availability of support from its parent undertaking Aegon Asset Management N.V., the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (being 12 months from the date of this report). Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Independent Auditors
The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to remain in office and have been re-appointed by the Directors for 2020.

Statement of disclosure of information to auditors
The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the auditors are unaware; and each Director has taken all steps that he ought to have taken as Director to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

The financial statements on pages 20 to 48 were approved by the Board of Directors on 24 April 2020 and signed on its behalf by

....
Stephen JM Jones
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union 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.

Directors' confirmations
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors' report to the members of Kames Capital Plc

Report on the audit of the financial statements

Opinion

In our opinion, Kames Capital Plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income, the cash flow statement, the statement of changes in equity; 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 December 2019 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 Directors' Responsibilities Statement set out on page 17, 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.

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.

James Houston (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
24 April 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000's	2018 £000's
Revenue	2	79,694	97,176
Administrative expenses	3	(88,028)	(90,400)
Operating (loss)/ profit		(8,334)	6,776
Investment income	4	348	287
(Loss)/ Profit before tax		(7,986)	7,063
Tax credit/ (charge)	5	1,580	(1,287)
(Loss)/ Profit for the year		(6,406)	5,776
Total comprehensive (loss)/income for the year		(6,406)	5,776

The loss for the year relates wholly to continuing activities.

The loss for the year is attributable to the equity shareholders of the Company.

There was no Other Comprehensive Income for 2019 (2018: £nil).

The notes on pages 24 to 48 are an integral part of these financial statements.

KAMES CAPITAL PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
COMPANY NUMBER SC113505

	Note	2019 £000's	2018 £000's
Non-current assets			
Investments in subsidiaries	7	1,000	1,000
Deferred tax	6	1,412	1,938
		2,412	2,938
Current assets			
Trade and other receivables	8	50,523	44,361
Financial assets	9	636	1,033
Cash and short term deposits	10	38,598	60,893
		89,757	106,287
Total assets		92,169	109,225
Current liabilities			
Tax payables		-	477
Trade and other payables	11	36,639	46,800
Non-current liabilities			
Trade and other payables	11	23	35
Total liabilities		36,662	47,312
Net assets		55,507	61,913
Capital and reserves			
Issued capital	12	15,000	15,000
Retained profit		40,507	46,913
Total equity		55,507	61,913

The notes on pages 24 to 48 are an integral part of these financial statements.

The financial statements were approved by the Board on 24 April 2020 and signed on its behalf by

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Stephen JM Jones

Director

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

	Issued capital £000's	Retained earnings £000's	Total equity £000's
At 1 January 2019	15,000	46,913	61,913
Loss and total comprehensive income for the year	-	(6,406)	(6,406)
At 31 December 2019	**15,000**	**40,507**	**55,507**

	Issued capital £000's	Retained earnings £000's	Total equity £000's
At 1 January 2018	15,000	41,137	56,137
Profit and total comprehensive income for the year	-	5,776	5,776
At 31 December 2018	**15,000**	**46,913**	**61,913**

All equity is attributable to the equity shareholders of the company.

The Company did not recognise any income or expense directly in equity (2018: £nil).

The notes on pages 24 to 48 are an integral part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000's	2018 £000's
Operating activities			
(Loss)/ profit before tax		(7,986)	7,063
Adjustments to reconcile operating profit before tax to net cash (outflow)/inflow from operating activities:			
(Increase)/Decrease in trade and other receivables		(4,056)	(6,706)
Decrease/(Increase) in financial assets		397	(40)
Decrease in trade and other payables		(10,172)	(3,042)
Income Tax Paid		(478)	(1,063)
Net cash flow used in operating activities		(22,295)	(3,788)
Financing activities			
Dividends paid	16	-	-
Net cash flow from investing activities		-	-
Net (decrease)/increase in cash and cash equivalents		(22,295)	(3,788)
Cash and cash equivalents at 1 January		60,893	64,681
Cash and cash equivalents at 31 December	10	38,598	60,893

The cash flow statement is prepared according to the indirect method.

Included in net increase in cash and cash equivalents is interest received £348k (2018:£287k), all of which originates from operating activities.

The notes on pages 24 to 48 are an integral part of these financial statements.

1. Accounting Policies

1.1. Basis of preparation

The Company is a public company limited by shares incorporated and domiciled in the UK.

After making enquiries, which include considering the liquidity of the Company's assets, the expected impact of COVID-19, it's adequacy of capital resources in light of continued losses and the impact of the coronavirus, and confirmation of the availability of support from its parent undertaking Aegon Asset Management N.V., the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future (being 12 months from the date of this report). Accordingly, the financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2019 and applied in accordance with the Companies Act 2006 applicable to companies reporting under IFRS.

The Company's financial statements have been prepared under the historic cost convention modified by revaluation of financial assets and liabilities held at fair value through profit and loss. Accounting policies have been applied consistently throughout the year.

The financial statements of Kames Capital Plc were authorised for issue in accordance with a resolution of the directors on 24 April 2020.

These are the separate financial statements of the Company. The Company has taken the Companies Act Section 400 exemption from preparing consolidated financial statements as the ultimate parent undertaking Aegon N.V., which is incorporated in the Netherlands, prepares publicly available consolidated financial statements which comply with IFRS.

The functional and presentational currency of the Company is pounds sterling (GBP). Amounts displayed within these consolidated financial statements are rounded into thousands (£000s).

1.1.1. Adoption of new IFRS-EU accounting standards

New standards and amendments to standards become effective at the date specified by the IFRS-EU (International Financial Reporting Standard as adopted by the European Union), but may allow companies to opt for an earlier adoption date. In 2019, the following amendments to existing standards issued by the IASB became mandatory, but are not currently relevant or do not significantly impact the financial position or financial statements:

- IFRS 16 Leases,
- IFRIC 23 Uncertainty over Tax Treatments,
- Annual Improvements 2015-2017; and
- Amendment to IAS 19 Plan amendment, curtailment or settlement.

The above new standards and amendments to existing standards have been endorsed by the European Union. With the exception of IFRS 16, none of the above new standards and amendments have a material impact on the results of the company.

IFRS 16

IFRS 16 Leases was issued by the IASB in January 2016 and replaced IAS 17 Leases and IFRIC 4 on January 2019. The most significant change of IFRS 16 is related to leases that we identified as operational leases held by a lessee under IAS 17. Under IAS 17 these leases were reported as (off-balance) Operating lease obligations, and after January 1, 2019 reports as (on-balance) lease liabilities with the accompanying lease assets. The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

The accounting policy for leases applicable from January 1, 2019 is included in note 1.15 Operating Leases.

Transitional disclosures

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at January 1, 2019.

Impacts on the financial statements

At transition the Company recognised £11.4m of right of use and lease receivable assets and lease liabilities of £11.4m. The right of use assets consist of office buildings located in the United Kingdom. The Company does not expect material movements in net income going forward.

The reconciliation between operating lease commitments at December 31, 2018 and lease liabilities at January 1, 2019 is as follows :-

	£000s
Operating Lease commitments at December 31, 2018	1,922
Discounted using the incremental borrowing rate at January 1, 2019	(87)
Extension and termination options reasonably certain to be exercised	9,620
Lease liabilities recognised at January 1, 2019	11,455

The weighted average lessee incremental borrowing rate applied to lease liabilities in the financial statements is 5.61%.

The following new reform, will not become mandatory until 2020 but was early adopted by the Company, and will not significantly impact the financial position or financial statements:

- Interest Rate Benchmark Reform

1.1.2 Future adoption of new IFRS accounting standards

The following standards and amendments to existing standards, published prior to 1 January 2020, were not early adopted by the company, but will be applied in future years:

- Amendments to References to the Conceptual Framework in IFRS Standards,
- Amendment to IFRS 3 Business Combinations; and
- Amendments to IAS 1 and IAS 8 Definition of Material.

The above list of amendments has not yet been endorsed by the European Union.
The following new standards and amendments to the existing standard and interpretations, published prior to 1 January 2019, which are not yet effective for or early adopted by the Company, will not significantly impact the financial position or financial statements:

- IFRS 17 Insurance contracts,
- Amendment to IFRS 9 Financial instruments on prepayment features with negative compensation; and
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures.

1.2. Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future profits together with future tax planning strategies.

Deferred tax assets also exist in respect of timing differences relating to the payment of deferred bonus or Long Term Incentive Plan (LTIP) incentives to employees.

The Company has deferred tax asset balances amounting to £1,412k (2018: £1,938k).

1.3. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding VAT. The following specific recognition criteria must also be met before revenue is recognised:

Revenue and other operating income

Revenue, which wholly arose in the United Kingdom from UK based and non UK based clients, represents fees in respect of investment management services provided.

Revenue comprises the following:

i) Investment management fees

Fee income is derived from investment management contracts with clients of the Company. Income is accrued on a monthly basis based on the underlying terms of each client's individual contract at the fair value of the amount receivable.

ii) Performance fees
Performance fees are calculated with reference to performance against a benchmark index. They are recognised only at the end of the period to which the performance relates, as set out in the underlying contracts. These fees are recognised as revenue in the period in which these are accrued.

iii) Other operating income
Other operating income relates to stock lending income and other miscellaneous items which are recorded at the fair value of consideration earned or due to be received. These fees are recognised on an accruals basis.

1.4. Investments in subsidiaries
Subsidiaries are entities over which the Company has direct or indirect power to govern the financial and operating policies so as to obtain benefits from its activities ('control'). The assessment of control is based on the substance of the relationship between the Company and the entity and, among other things, considers existing and potential voting rights that are currently exercisable and convertible.

Subsidiaries are accounted for at cost. Any impairment on individual investments in subsidiaries held at cost is determined at each reporting date. Dividends from subsidiaries are included in investment income when paid (or in respect of final dividends when approved), net of any impairment of the investment in subsidiary resulting from the dividend.

1.5. Financial assets
Financial assets are recognised on the trade date when the Company becomes a party to the contractual provisions of the instrument and are classified for accounting purposes depending on the characteristics of the instruments and the purpose for which they were purchased.

(a) Classification
Financial assets and liabilities except for investment in subsidiary are designated as fair value through profit or loss (FVTPL) where the asset or liability is part of a group of assets that are evaluated and managed on a fair value basis. Investments are held at amortised cost less any impairment if considered relevant. Units or shares in collective investment vehicles that are held as part of the 'stock of shares' are designated as FVTPL. The stock of shares represents shares held in the Kames Capital ICVC (an Open-ended Investment Company) and the Kames Capital VCIC (an Open ended Investment Company).

(b) Measurement
Financial assets are initially recognised at fair value plus, (in the case of a financial asset not at fair value through profit or loss), any directly attributable incremental transaction costs. Loans are subsequently carried at amortised cost using the effective interest rate method. Financial assets at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the statement of comprehensive income as incurred.

(c) Fair value
The following is a description of the Company's methods of determining fair value, and a quantification of its exposure to assets and liabilities measured at fair value.

Fair value is defined as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

As at 31 December 2019 the book value of the Company's financial instruments are approximately equal to their fair value.

In accordance with IFRS 13, the Company uses the following hierarchy for measuring and disclosing of the fair value of assets and liabilities:

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- Level II: inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices of identical or similar assets and liabilities) using valuation techniques for which all significant inputs are based on observable market data; and
- Level III: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) using valuation techniques for which any significant input is not based on observable market data.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active or quoted market prices are not available, a valuation technique is used.

(d) Impairment
Financial instruments are impaired when it is considered probable that not all amounts due will be collected as scheduled. The impairment loss is calculated as the difference between the fair value and amortised cost of the investment and recognised in the Statement of Comprehensive Income.

(e) De-recognition
A financial asset is derecognised when the contractual rights to the asset's cash flows expire and when the Company retains the right to receive cash flows from the asset or has an obligation to pay received cash flows in full without delay to a third party and either: has transferred the asset and substantially all the risks and rewards of ownership, or has neither transferred nor retained all the risks and rewards but has transferred control of the asset. Financial assets of which the Company has neither transferred nor retained significantly all the risk and rewards are recognised to the extent of the Company's continuing involvement. If significantly all risks are retained, the assets are not derecognised.

On de-recognition, the difference between the disposal proceeds and the carrying amount is recognised in the income statement as a realised gain or loss. Any cumulative unrealised gain or loss previously recognised in the revaluation reserve in shareholders' equity is also recognised in the income statement.

1.6. Deferred transaction costs

Incremental costs, such as initial commission, that are directly attributable to securing future investment management services are recognised as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered. This is reported within prepayments and accrued income.

The deferred transaction costs are amortised in line with fee income over a four year period, unless there is evidence that another method better represents the provision of services under the contract.

1.7. Deferred revenue

Initial fees, margins and front-end loadings paid by clients, for future investment management services, are deferred and recognised as revenue when the related services are rendered. This is reported within accruals and deferred revenue.

The deferred revenue is amortised over a period of four years in line with fee income, unless there is evidence that another method better represents the provision of services under the contract.

1.8. Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Statement of Financial Position date. All differences are taken to the statement of comprehensive income.

1.9. Taxation

Current income tax

Current income tax assets and liabilities for the current period and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, or paid to or recovered from other Aegon Group companies in respect of group relief surrendered or received. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be

controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each Statement of Financial Position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Statement of Financial Position date.

Deferred income tax relating to items recognised directly in equity is recognised directly in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income tax relates to the same taxable entity and the same taxation authority.

1.10. Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at the lower of their original invoice's value or recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

1.11. Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.
For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

1.12. Trade and other payables

Trade and other payables other than LTIP generally arise as a result of transactions with other Aegon Group entities or as a result of the purchase or sale of shares in the Kames Capital ICVC. They are recognised and carried at the higher of the original invoice's value and the payable amount.

1.13. Long Term Incentive Plan (LTIP)

The LTIP meets the definition of employee benefits as defined in IAS 19. It is a defined contribution plan and the contributions are payable by the Company based on achievement of targets in specified calendar years. The cost of the scheme is recognised as an expense and liability upon achievement of the targets. The Company pays the set amount to an independent employee benefits trust in the year following recognition of the contribution. Once the contribution has been made, the Company has no ability to recover any amount paid to the trust.

1.14. Operating Segments

The directors considered the requirements of IFRS 8 (Operating Segments) and concluded that the Company operates in a single segment being that of asset management.

1.15. Operating leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. For further information on the revised Leases standard refer to note 1.1.1. Adoption of new IFRS-EU accounting standards and amendments.

Policy applicable from January 1, 2019

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of real estate and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determine, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or a rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company presents right-of-use assets that do not meet the definition of investment property in 'Other assets and receivables' and lease liabilities in 'Other liabilities' in the statement of financial position.

1.2 Critical accounting estimates and judgements

As stated in accounting policy note 1.9, a deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the timing differences can be utilised. Since there is no absolute assurance that these assets will ultimately be realised, management reviews the Company's deferred tax positions periodically to determine if it is probable that the assets will be realised.

In respect of the deferred tax asset recognised of £1.4m, recoverability is considered probable taking into account :

- Expected future profits;
- The impact of loss relief restriction rules as part of Finance (No.2) Act 2017 and
- A 5 year projection period.

2. Revenue

Revenue represents advisory and management fees on a range of investment funds, and other annual charges. Other income represents net income/expense on sale and purchase of Kames Capital ICVC shares and initial charges thereon.

	2019 £000's	2018 £000's
Rendering of services		
Asset management fees:		
Management (UK)	**71,070**	81,060
Management (non-UK)	**8,374**	15,903
Performance Fees	**221**	166
	79,665	97,129
Other income	**29**	47
	79,694	97,176

Included within revenue is £37,079k (2018: £38,255k) which relates to income received from fellow Aegon N.V. subsidiary undertakings. For terms and conditions relating to related party transactions, refer to note 15.

3. Administrative expenses

Administrative expenses were £88.0m (2018: £90.4m) which include £88.9m (2018: £91.0m) relating to recharges to the Company by Aegon UK Corporate Services Limited, a fellow subsidiary of Aegon N.V. For terms and conditions relating to related party transactions, refer to note 15.

Administrative expenses include charges for services rendered between fellow subsidiaries of Aegon N.V. within the Global Asset Management grouping. Net amounts charged between Kames Capital Plc and these entities are as follows:

	2019 £000's	2018 £000's
Aegon Investment Management B.V.	**(2,822)**	(3,037)
Aegon Asset Management Holding B.V.	**726**	499
TKP Investments	**-**	(704)
Aegon USA Investment Management LLC	**(272)**	(924)
Aegon Asset Management (Asia) Ltd	**(17)**	(83)
Aegon Asset Management Pan-Europe BV	**454**	1,020
Aegon Asset Management (Hungary)	**(11)**	(74)
	(1,942)	(3,573)

Aegon UK Corporate Services Limited employs all staff whose costs are included in administrative expenses.

This also includes the payment of the following:

(a) Amounts paid to auditors

	2019 £000's	2018 £000's
Audit of the financial statements	**89**	67
Audit-related assurance services	**236**	208
Total paid to auditors and their associates	**325**	275

Audit related assurance services includes CASS and AAF audit fees plus other audit services.

(b) Directors' emoluments

The amount of Directors' remuneration was as follows:	2019 £000's	2018 £000's
Fees	**109**	105
Remuneration including bonuses	**2,061**	1,845
Post employment employee benefits	**28**	91
Compensation for loss of office	**139**	-
Aggregate amounts receivable by Directors in respect of long-term incentive schemes (other than shares and share options)	**659**	1,312
	2,996	3,353

Where applicable, an apportionment of the total compensation has been made based on the services rendered to the Company.

	2019 Number	2018 Number
Number of directors to whom retirement benefits accrued under a defined benefit scheme and a defined contribution scheme	1	4

During the year, no Director exercised share options (2018: nil).

Highest Paid Director Amounts included above:	2019 £000's	2018 £000's
Remuneration including bonuses	727	834
Post employment employee benefits	-	19
Amounts receivable in respect of long-term incentive schemes (other than shares and share options)	500	573
	1,227	1,426

In 2019 the highest paid Director had no accrued pension, nor lump sum accrued (2018: £nil).

The Executive Directors were awarded Long Term Incentive Plan incentives based upon recommendation from the Chief Executive of the Company to the Chief Executive of Aegon Asset Management Holdings B.V. Awards to the Chief Executive of the Company are subject to the approval of the Aegon Asset Management Remuneration Committee.

The performance related bonuses available to the Executive Directors are awarded based upon the recommendation of the Chief Executive of Aegon Asset Management Holding B.V. having regard to corporate and individual performance during the year under review, and are subject to the approval of the Aegon Asset Management Remuneration Committee.

(c) Directors' share options

Executive Directors of the Company and those Non-Executive Directors of the Company who are also Executive Directors or Senior Executives of Aegon N.V., the ultimate parent undertaking, may participate in the share option scheme operated by Aegon N.V., to subscribe for ordinary shares.

(d) Operating Expenses

Operating lease payments recognised as expenses during the year amounted to £1,749k (2018: £2,733k).

4. Investment Income

	2019 £000's	2018 £000's
Cash and short term deposit interest income	348	287
	348	287

For details of transactions with related parties refer to note 15.

5. Tax charge

(a) Current year tax charge

	2019 £000's	2018 £000's
UK current tax		
Corporation tax credit/ (charge) for the year	2,106	(822)
Total current tax credit/ (charge)	2,106	(822)
UK deferred tax		
Origination and reversal of temporary differences	(588)	(520)
Change in deferred tax rate	62	55
Total deferred tax charge	(526)	(465)
Tax credit/ (charge) in the statement of comprehensive income	1,580	(1,287)

The current tax rate of 19%, which has been effective since 1 April 2017, was enacted by Finance (No.2) Act on 26 October 2015. The Finance Act 2016, enacted on 6 September 2016, included a future reduction in the corporation tax rate from 19% to 17% with effect from 1 April 2020.

The impact of these reductions in tax rates on the deferred tax balances have been included in the above figures and the deferred tax tables.

In the Spring Budget 2020, the Government announced the corporation tax rate would remain at 19% from 1 April 2020 rather than reducing to 17%. Applying the revised tax rate would have the effect of increasing the net deferred tax asset position by £166k.

(b) Reconciliation of tax charge

	2019 £000's	2018 £000's
(Loss)/Profit before tax	(7,986)	7,063
Tax charge calculated using weighted average applicable statutory rates	1,517	(1,342)
Effect of:		
Impact of deferred tax rate	62	55
Other	1	-
Total tax charge reported in the statement of comprehensive income	1,580	(1,287)

The weighted average applicable tax rate for 2019 is 19.00% (2018: 19.00%).

6. Deferred tax

Recognised deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when income taxes relate to the same fiscal authority. The amounts are as follows:

	2019 £000's	2018 £000's
Deferred tax assets comprise		
Incentive plan	1,412	1,938
Net deferred tax assets	1,412	1,938

	2019 £000's	2018 £000's
Deferred tax assets		
At 1 January	1,938	2,403
Change in deferred tax rate	62	55
Other amounts recorded in statement of comprehensive income	(588)	(520)
At 31 December	1,412	1,938

The deferred tax has been recognised in full as it is probable that future taxable profits will allow the deferred tax asset to be recovered. See note 1.2 for the critical accounting estimates and judgements relating to this recovery.

7. Investments in subsidiaries

The Company has a holding of £1,000k (2018: £1,000k) in Kames Capital Management Ltd which represents the nominal value.

At 31 December 2019 the Company held 100% of the shares in the following principal subsidiary undertaking operating in the UK. The undertaking has only one class of share.

Name	**Principal activity**	**Registered**	**Holding %**	**Profit to 31.12.19 £000s**	**Capital as at 31.12.19 £000s**
Kames Capital Management Limited	Intra Group Asset Management Services	Scotland	100%	305	4,247
Kames Target Healthcare General Partner Limited	General Partner	Jersey	100%	-	-

Kames Capital Management Ltd has its registered office at Kames House, 3 Lochside Crescent, Edinburgh Park, Edinburgh, EH12 9SA.

Kames Target Healthcare General Partner Ltd has its registered office at 1 Waverley Place, Union Street, St Helier, Jersey, JE1 1SG.

8. Trade and other receivables

	2019 £000's	2018 £000's
Current trade and other receivables		
Trade receivables	**27,367**	33,979
Amounts owed by fellow Aegon N.V. subsidiary undertakings	**11,629**	9,990
Right-of-use asset and lease receivables	**7,552**	-
Lease receivable asset	**1,742**	-
Other receivables	**128**	392
Corporation Tax Debtor	**2,105**	-
	50,523	44,361

For terms and conditions relating to related party transactions, refer to note 15. Trade receivables are non-interest bearing and are generally on 30 day terms and are shown net of any provision for impairment.

There were no impaired trade receivables at 31 December 2019 (2018: £nil).

As at 31 December the analysis of trade receivables that were past due but not impaired is as follows:

	Total	Current	Past due		
			<30 days	30 – 90 days	>90 days
	£000's	£000's	£000's	£000's	£000's
2019	27,367	20,523	3,325	718	2,801
2018	33,979	33,122	-	-	857

The company does not anticipate suffering credit losses in respect of trade receivables.

9. Financial assets

	2019	2018
	£000's	£000's
Shares held at fair value through profit or loss	**636**	1,033
	636	1,033

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used.

The table below shows an analysis of the Company's financial instruments recorded at fair value by level of the fair value hierarchy:

The fair values of the financial instruments carried at fair value were determined as follows:

	Level 1	**Level 2**	**Level 3**	**2019 Total**
	£000s	**£000s**	**£000s**	**£000s**
Financial Assets	636	-	-	636

	Level 1	**Level 2**	**Level 3**	**2018 Total**
	£000s	**£000s**	**£000s**	**£000s**
Financial Assets	1,033	-	-	1,033

Interests in unconsolidated structured entities

Included in Financial Assets are investments of £636k (2018: £1,033k) arising from investments in collective investment schemes and limited partnerships.

The collective investments schemes and limited partnerships are primarily financed by investments from investors in the vehicles. The investments are carried at fair value and the Company's maximum exposure to loss is equal to the carrying value of the investment. As at 31 December 2019, the total net assets of unconsolidated collective investment vehicles and limited partnerships in which the Company held a beneficial interest was £7.8bn (2018: £9.8bn). As at 31 December 2019, the total net fees received by Kames Capital in respect of which the Company held a beneficial interest was £35.9m (2018: £49.7m).

Kames Capital plc sponsors a range of collective investment schemes and limited partnerships where it acts as the decision maker over the investment activities and markets the funds. The Company earns fees from managing the investments of these funds.

There are no fee commitments or guarantees (2018: £nil)

10. Cash and short term deposits

	2019 £000's	2018 £000's
Cash at bank	**916**	2,238
Short term deposits	**37,682**	58,655
	38,598	60,893

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. The fair value of cash and short term deposits is £38,598k (2018: £60,893k).

The Company only deposits cash surpluses with major banks of acceptable credit standing (A- or higher) or within the Kames Sterling Reserve Fund (KSRF) which does not have its own credit rating, but which only places investments with an A credit rating or higher.

11. Trade and other payables

	2019 £000's	2018 £000's
Current trade and other payables		
Trade payables	**16,005**	25, 970
Payables to fellow Aegon N.V. subsidiary undertakings	**9,508**	16,493
LTIP payable to employee trust	**1,958**	3,441
Other payables	**9,160**	485
Accruals and deferred income	**8**	411
	36,639	46,800
Non-current trade and other payables		
Accruals and deferred income	**23**	35
	36,662	46,835

Terms and conditions of the above financial liabilities:

- For terms and conditions relating to related parties, refer to note 15.
- Trade and other payables are non-interest bearing and are normally settled in 30 days.
- The LTIP payable is non-interest bearing and normally settled 3 months after the year end.

12. Issued Capital

	2019 £000's	2018 £000's
Authorised share capital		
40,000,000 Ordinary shares of £1 each (2018: 40,000,000)	**40,000**	40,000
Allotted, called up and fully paid		
15,000,000 Ordinary shares of £1 each (2018: 15,000,000)	**15,000**	15,000

Information on capital management and risk management is included in the Strategic Report under the sections 'Corporate governance and capital management' and 'Risk and Financial Instruments within the Statement of Financial Position'.

13. Capital Commitments

Obligations under leases:
The Kames Group has entered into two commercial leases. The first lease duration is 12 years, with the lease expected to run until the twelfth anniversary of date of entry in 2015. The second lease duration is 10 years with the lease expected to run until the tenth anniversary of date of entry of 2012. Future minimum rentals payable under non-cancellable operating leases are as follows:

	2019	2018
	£000's	£000's
Not later than one year	**2,310**	1,529
After one year but no more than five years	**7,123**	383
After five years	**3,291**	-
Total obligation under leases	**12,724**	1,912

14. Risk Management

General

The Company is exposed to financial risks. The main financial risks are credit risk, liquidity risk and market risk, with the principal elements of market risk being interest rate risk and equity price risk. The Company is not exposed to significant currency risk other than through exposure to the funds it manages, and this risk is managed as for Market risk. The 'Risk and Financial Instruments within the Statement of Financial Position' section of the Strategic Report describes the Company's general approach to risk management and the management of financial risks.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.
At the reporting date the company's financial assets exposed to credit risk amounted to the following:

	2019	2018
	£000	£000
Cash and cash equivalents	**38,598**	60,893
Interest, dividends and other receivables	**50,523**	44,361

The Company is exposed to credit risk on standard industry credit available to clients and has an appetite for limited credit risk for this purpose. Aged items exceeding these terms are monitored against set thresholds for acceptable overdue debts. Action is taken to recover such debts (through deduction from client assets if appropriate). On a quarterly basis credit risk is quantified using the CRD IV Standardised Approach and reported to the Board of Directors who review this in light of the Kames group's credit risk appetite.

The Company's main sources of non-client related credit risk are HMRC, our Custodian or other Aegon Group companies. These are considered inherent in the business activities of the Company. Details of these balances are listed under note 8.

Cash and cash equivalents are held with financial institutions with the following short-term credit ratings provided by Standard and Poor:

	2019	2018
	£000's	£000's
A-1	**16,316**	36,690
A-2	**7,282**	9,203
Not rated (*)	**15,000**	15,000
Total	**38,598**	60,893

(*) The company invests in the Kames Sterling Reserve Fund. This Fund does not carry a credit rating, however the investments it holds are all 'A' rated or higher. Due to the absence of a formal rating, the continued suitability and use of the fund as a counterparty is reviewed and approved on at least an annual basis by the Kames Audit and Risk Committee.

The Company's cash balances are held by a number of counterparties. Bankruptcy or insolvency of these counterparties may cause the Company's rights with respect to the cash balances to be delayed or limited. The Company operates a counterparty management policy which sets tolerance limits over the cash holdings based on the credit rating of the counterparty. The Company monitors the credit quality of the relevant counterparties and should the credit quality or the financial position of these counterparties deteriorate significantly the Company would move the cash holdings over to another bank.

There were no significant concentrations of credit risk to counterparties at 31 December 2019 or 31 December 2018.

Foreign Currency Risk

The following table demonstrates the sensitivity to a reasonably possible change in the Sterling against the US dollar and Euro exchange rates with all other variables held constant, of the Company's profit before tax and the Company's equity. The impact of translating the net assets of foreign operations into sterling is excluded from the sensitivity analysis.

	Change in Sterling vs. US Dollar / Euro rate	Effect on profit before tax	Effect on Capital and Reserves
		£000s	£000s
2019			
US dollar / Sterling	+10%	(64)	(52)
	-10%	79	64
Euro / Sterling	+10%	(34)	(27)
	-10%	41	33
2018			
US Dollar / Sterling	+10%	(197)	(159)
	-10%	241	195
Euro Sterling	+10%	(7)	(6)
	-10%	8	6

Liquidity Risk

The Company has only limited exposure to liquidity risk as balances are held in cash and short term deposits. It operates a liquidity risk management policy setting out minimum threshold levels. Amounts due are settled without the need to realise illiquid assets. Details of these balances are listed under note 11.

The table on the next page summarises the maturity profile of the Company's financial liabilities at 31 December 2019 and 2018 based on contractual undiscounted payments.

Maturity Analysis

For the year ended 31 December 2019

	On Demand	Less than 3 months	3 to 12 months	1 to 5 yrs	>5 yrs	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Non Derivative Financial Liabilities						
Trade and other payables	**-**	**34,680**	**1,959**	**23**	**-**	**36,662**

For the year ended 31 December 2018

	On Demand	Less than 3 months	3 to 12 months	1 to 5 yrs years	>5 yrs years	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Non Derivative Financial Liabilities						
Trade and other payables	-	43,359	3,441	35	-	46,835

Market Risk

Results of the Company's sensitivity analyses are presented throughout this section to show the estimated sensitivity of Profit for the year and Shareholder's Equity to various scenarios. For interest rate risk and price risk, the analysis shows how these measures would have been affected by changes in the relevant risk variables that were reasonably possible at the reporting date. In performing the analyses and determining the impact for the financial year, the assumption is made that the financial instrument exposures at the Statement of Financial Position date were in existence for a full year. For each sensitivity test the impact of a reasonably possible change in a single factor is shown.

The sensitivities do not reflect what the results for the period would have been if risk variables had been different, because, for financial instruments, the analysis is based on the exposures in existence at the reporting date rather than on those that actually occurred during the year. The analysis does not take into account the impact of future new business, which is an important component of the Company's future earnings. It also does not consider all instruments available to management to respond to changes in the financial environment. Furthermore, the results of the analyses cannot be extrapolated for wider variations since effects are not always linear. No risk management process can clearly predict future results.

Interest Rate Risk

The sensitivity analysis in the table below shows an estimate of the effect of a parallel shift in the yield curve on Profit after tax for the year and Shareholders' Equity. The effect of an increase in the yield curve would be to reduce the overall asset valuations thereby reducing fee income earned. The converse applies for a reduction in yield. As assets are not held within the Statement of Financial Position of the Company the only equity impact of this change is on Fee Income earned and is carried directly through the Statement of Comprehensive Income to impact Retained Profits.

	Impact on profit for the year	Impact on Capital and Reserves
	2019	2019
Immediate change	£000's	£000's
Shift up 100 basis points	(834)	(834)
Shift down 100 basis points	833	833

	Impact on profit for the year	Impact on Capital and Reserves
	2018	2018
Immediate change	£000's	£000's
Shift up 100 basis points	(1,282)	(1,282)
Shift down 100 basis points	1,380	1,380

Equity price risk

The sensitivity analysis of Profit after tax for the year and Shareholders' Equity to changes in equity prices is presented in the table below. The sensitivity of Profit for the year and Shareholders' Equity primarily reflects changes in the value of Assets under Management leading to corresponding increases or decreases in fee income and therefore profits.

	Impact on profit for the year	Impact on Capital and Reserves
	2019	2019
Immediate change	£000's	£000's
Equity increase 10%	745	745
Equity decrease 10%	(746)	(746)

	Impact on profit for the year	Impact on Capital and Reserves
	2018	2018
Immediate change	£000's	£000's
Equity increase 10%	2,936	2,936
Equity decrease 10%	(2,936)	(2,936)

15. Related party transactions

(a) Immediate parent undertaking

The immediate parent Company is Kames Capital Holding Ltd which is registered in Scotland. Copies of Kames Capital Holding Ltd financial statements are available from the Company Secretary, Kames Capital Plc, Kames House, 3 Lochside Crescent, Edinburgh Park, Edinburgh, EH12 9SA.

(b) Ultimate parent undertaking

The ultimate parent undertaking and controlling party is Aegon N.V., which is incorporated in the Netherlands. Aegon N.V. is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of Aegon N.V. are available from the Company Secretary, Kames Capital Plc, Kames House, 3 Lochside Crescent, Edinburgh Park, Edinburgh, EH12 9SA.

Aegon Asset Management Holding B.V. is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Aegon Asset Management Holding B.V. can be obtained from the Company Secretary, Kames Capital Plc, Kames House, 3 Lochside Crescent, Edinburgh Park, Edinburgh, EH12 9SA.

(c) Year end balances and transactions with related parties

The Company provides investment management services to other members of the Aegon N.V. Group at prices which are agreed from time to time between the Company and the recipients of the service, taking into account the size and nature of the service (see note 2 for total amount of such transactions). Group companies included in this charge include Scottish Equitable Plc, Scottish Equitable Employee Benefits and Scottish Equitable International Dublin plc. Administrative expenses are recharged to the Company at cost plus a 5% mark-up on shared service costs by Aegon UK Corporate Services Limited, a fellow subsidiary of Aegon N.V. (see note 3 for total amount of such transactions).

The Company also provides and receives shared services from other members of the Aegon Asset Management Group. Expenses relating to these shared services are recharged at cost plus a 7.1% mark up. Group companies included within this recharge are Aegon Investment Management B.V., Aegon USA Investment Management LLC, TKP Investments, Aegon Asset Management (Asia) Ltd, Aegon Asset Management (Hungary), Aegon Asset Management Pan-Europe B.V. and Aegon Asset Management Holding B.V.

The Company also receives shared services from Aegon N.V. Expenses relating to these shared services are recharged at cost plus a 7.1% mark up.

The Company also receives shared services from Aegon Global Technology. Expenses relating to these share services are recharged at cost plus a 5.0% mark-up.

Outstanding balances are unsecured, interest free and cash settlement is generally expected within 30 days of invoice. The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2019 the Company has not made any provision for doubtful debt relating to amounts owed by related parties (2018: £nil).

Year end balances for related party transactions are detailed in notes 8 and 11.

All transactions between key management and their close family members and the Group during the year are on terms which are equivalent to those available to all employees of the Group. None of the amounts concerned are material in the context of funds managed by Kames Capital.

(d) Compensation of key management personnel (including directors)

	2019 £000's	2018 £000's
Short term employee benefits	**2,296**	1,939
Post employment employee benefits	**28**	90
Other long term benefits	**655**	1,304
	2,979	3,333

One director received a payment for termination of loss of office during the year. The share of this payment allocated to the Company was £139k (2018 : £nil).

16. Dividends paid and proposed

	2019 £000's	2018 £000's
Declared and paid during the year		
Equity dividend on ordinary shares		
Final dividend for 2018: 0.0p per share (2017: 0.0p)	-	-
Interim dividend for 2019: 0.0p per share (2018: 0.0p)	-	-
Proposed for approval by shareholders :		
Final dividend for 2019: 0.0p per share (2018: 0.0p)	-	-

17. Post balance sheet events

Deferred Tax

The deferred tax balances in Note 6 have been calculated using the future tax rate in force at the balance sheet date, being 17%. On 11 March 2020, the government announced that the Finance Act 2020 will increase the tax rate from 1 April 2020. Applying the revised tax rate would have the effect of increasing the net deferred tax asset position by £166k.

COVID-19

Since January 2020, the coronavirus disease (COVID-19) outbreak is causing disruption to society, impacting the Company, its employees, suppliers and customers. The Company has invoked its business continuity plans to help ensure the safety of and well-being of its staff, as well as its capacity to support its customers and maintain its business operations, while maintaining our financial and operational resilience.

Financial markets have been severely impacted by significant decreases in interest rates, equity markets and commodity prices, and by credit spreads widening. Governments and central banks are responding to this crisis with aid packages and further quantitative easing. At the date of this report the depth and length of this crisis is unknown. The Company is continuously monitoring the market and economic turbulence that has arisen as a consequence of the COVID-19 outbreak. The most significant risks the Company faces are related to financial markets (particularly credit, equity and interest rates).

In light of the COVID-19 outbreak and in concluding these financial statements, the Company has performed an updated capital and liquidity assessment for the business taking into account experience since year-end 2019 up to the date of these Accounts. It shows the business remains within the target capital management zone and is within our liquidity risk appetite. Going forward, because of the far-reaching measures governments around the world are taking to control the impact of this pandemic, we expect income to be impacted by these measures. At the date of this report it remains too early to tell what the impact of these measures will be on the Company's income. Lower interest rates are also likely to impact the profitability of the Company depending on the market response.