Tilney Investment Management

Annual report and financial statements

for the year ended 31 December 2016

Registered number: 02010520

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Strategic report

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities

Tilney Investment Management's (the "Company") principal activity is the provision of investment management solutions to private investors, institutions and charities with portfolios held in discretionary or advisory accounts, tax trusts structures, Investment Savings Accounts (ISAs) and Self-Invested Personal Pensions (SIPPs) through a regional network of four offices throughout the UK.

Review of the business

The Company is a leading private client investment group that is focused on excellent client service and the highest levels of professionalism. We continued to develop our business with this in mind.

The main business activities of the Company are:

- Investment Management: the Company offers a range of investment management solutions including a suite of OEIC funds that reflect its best ideas, a Managed Portfolio Service based on a centralised investment process and bespoke Personalised Investment Management Service for high net worth individuals;
- Investment Advisory: a service that provides clients with access to personalised advice on asset allocation and fund selection; and
- Execution-Only: the Company's 'Online Investment Service' enables self-directed investors to manage all of their fund and share investments, including Individual Savings Accounts (ISAs), Self-Invested Personal Pension Plans (SIPPs) and Junior ISAs (JISA), within a consolidated account at low cost while accessing various guidance tools and research ideas.

Our vision is to provide the very highest levels of professional client service and to be recognised for leading expertise in investments and pensions.

The Company has long supported and adhered to transparent and consistent charging structures, ensured that its staff are trained and qualified to high standards and it has been at the forefront of pioneering services that represent excellent value for money. The Company therefore welcomes the core objectives behind Retail Distribution Review (RDR), which it believes are consistent with its own ethos. The changes to industry pricing models will better enable investors to assess whether they are receiving good value for money and in this respect we are confident that Tilney Investment Management is well placed.

Financial results

The profit after tax for the year ended 31 December 2016 was £3.8 million (2015: £4.7 million) and more detail is given in the profit and loss account on page 9.

The Company has net assets of £14.4 million as at 31 December 2016 (31 December 2015: £22.9 million). The balance sheet is set out on page 11.

Key performance indicators

Key business drivers for the Company which are regularly monitored by the Board include:

- Assets under management for continuing operations as at 31 December 2016 was £3.7 billion (2015: £3.3 billion).
- Revenue from continuing operations for the year ended 31 December 2016 was £25.1 million (2015: £25.3 million).

Principal risks and uncertainties

Risk is inherent to the Company's activities and is managed through a process of identification, measurement and monitoring. The Company's operations expose it to certain financial risks. These include market risk, interest rate risk, credit risk and liquidity risk. There is also considerable focus in managing other business risks such as 'know your client' and suitability, and key outsource providers.

Ultimately the Board is responsible for determining the level of risk acceptable to the Company and this is subject to regular review. The Board ensures effective implementation of policies and procedures which minimise the extent of financial risk facing the Company at any point in time. The Group has a Risk and Audit Committee and an Operational Risk Committee who regularly review risks and policies to mitigate these. The Company maintains a Risk Register which is the main tool for monitoring risks, assessing its impact and considering any mitigating actions. A risk is rated based on its probability as well as its potential impact.

Market Risk

Most of the Company's revenues are linked to the values of clients' investments so market risk resulting in a decrease in investment values will cause a reduction in revenue. For discretionary investment management clients' investment decisions are made by experienced asset managers within an asset allocation framework that is controlled and monitored by a specialist research department. In addition, management and the board are provided with regular reporting of changes in asset values that are benchmarked against a range of indices and competitors. To mitigate this risk, our Finance team regularly analyses various different economic scenarios to model the impact of economic downturns on our financial position.

Interest Rate Risk

The Company is exposed to interest rate risk through interest-bearing assets. The interest-bearing assets include only cash balances which earn interest at prevailing bank rates.

Credit Risk

Credit risk represents the loss which the Company would incur if a customer or counterparty failed to perform its contractual obligations. This risk is well diversified so the Company has no significant exposure to credit risk. At the balance sheet date there were no significant concentrations of credit risk external to the Company. The exposure to credit risk is monitored on an ongoing basis. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Liquidity Risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the group uses a mixture of long-term and short-term debt finance. The Group's cash flow needs are assessed on an ongoing basis to ensure liabilities can be met as they fall due.

KYC and Suitability

Suitability of investments for clients is considered an imperative throughout the company's activities. The Company is also clear that sufficient "know your client" information is obtained on all clients (new and existing) to mitigate the risk of inappropriate selling practice, to ensure that clients are provided with products and services that are suitable for them, both at purchase and on an ongoing basis.

Outsource arrangements

The Company outsources certain operational activities to third party companies who are experts in their field, and provide such services to many of our competitors. We review the financial and operational stability of our third party outsourcing partners on a regular basis through the Operational Risk Committee, to ensure that service standards and financial stability requirements are met.

Tilney Investment Management
Strategic report (continued)

Future developments

The Company sees continued opportunities from the consolidation of assets of existing clients held with other advisers; continued momentum in the migration of advisory and execution-only clients into managed solutions; an increased presence in the SIPP market; generation of new leads via digital marketing; introduction of Financial Planning to clients and referrals from existing clients.

Approval

Approved by the Board and signed on its behalf by:

P Hall

Director
25 April 2017

Tilney Investment Management
Registered Number: 02010520
Registered Office: 6 Chesterfield Gardens, London W1J 5BQ

Tilney Investment Management
Directors' report

The directors present their report and financial statements for the year ended 31 December 2016.

Business review and activities

The principal activities of the Company are set out in the Strategic Report on page 1. The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report on pages 1 to 3. This includes a review of the development of the business of the Company during the year and of likely future developments in its business. Details of the principal risks and uncertainties are included in the Strategic Report.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

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

Dividends

The directors do not recommend payment of a final dividend. During the period the Company paid dividends of £12.5 million (2015: £2 million).

Directors

The directors, who served throughout the year except as noted, were as follows:

P Hall	
S Layzell	(resigned 29 July 2016)
G Lewis	(resigned 28 February 2017)
J Norbury	(resigned 31 March 2017)
D Reid	
P Frame	(appointed 29 July 2016)
A Edwards	(appointed 29 July 2016)
W Downing	(appointed 29 July 2016)

Directors indemnities

The Company's ultimate parent company, Alexlux Sarl, has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the Company consists of issued share capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

The Company conducts an Internal Capital Adequacy Assessment Process ("ICAAP"), as required by the Financial Conduct Authority ("FCA") for establishing the amount of regulatory capital to be held by the Company.

The Pillar II assessment of the ICAAP is the Board of Directors' opinion of the level of capital the company should hold to support the risks to which the Company is exposed, be they internal or external in origin. This takes into account the Company's Risk Register which is updated on a quarterly basis. The ICAAP is discussed and approved at a Tilney Investment Management's Board meeting at least annually.

Capital adequacy is monitored monthly by management. The Group complied with the FCA's regulatory requirements throughout the period.

Tilney Investment Management
Directors' report (continued)

Pillar 3 disclosure Under Basel II

The European Capital Requirements Directive introduced consistent capital adequacy standards and an associated supervisory framework in the EU based on the Basel II rules. It is the application of the Capital Requirement Directive and Basel II to the firm that requires it to make a public disclosure of qualitative information and is designed to promote market discipline by providing market participants with key information on a firm's risk exposures and risk management processes. For details of the Company's unaudited Pillar 3 disclosures, required under the Financial Services Authority's Prudential Sourcebook for Investment Firms ("IFPRU") please visit the Tilney website at www.tilney.co.uk.

Auditor

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

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

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

P Hall

Director
25 April 2017

Tilney Investment Management
Registered Number: 02010520
Registered Office: 6 Chesterfield Gardens, London W1J 5BQ

Tilney Investment Management
Directors' responsibilities statement

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

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Tilney Investment Management

We have audited the financial statements of Tilney Investment Management for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Independent auditor's report to the members of Tilney Investment Management (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Colin Rawlings, FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
25 April 2017

Tilney Investment Management
Profit and loss account
For the year ended 31 December 2016

	Note	Total 2016 £000	Total 2015 £000
Turnover	3	25,143	25,352
Cost of sales		(3,149)	(2,654)
Gross profit		21,994	22,698
Administrative expenses	4	(17,430)	(15,862)
Other operating expenses		(489)	(458)
Operating profit		4,075	6,378
Interest receivable and similar income	7	53	54
Interest payable and similar charges	8	(99)	(168)
Profit on ordinary activities before tax		4,029	6,264
Tax	9	(254)	(1,567)
Profit after tax	4	3,775	4,697

All activities in the current year are derived from continuing operations.

Tilney Investment Management
Statement of comprehensive income
For the year ended 31 December 2016

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Profit for the year	3,775	4,697
Actuarial loss relating to the pension scheme	301	(57)
Deferred tax attributed to loss relating to the pension scheme	(60)	29
Total comprehensive income for the year attributable to the owners of the Company	4,016	4,669

Tilney Investment Management
Balance sheet
For the year ended 31 December 2016

	Note	31 December 2016 £000	31 December 2015 £000
Fixed assets			
Tangible fixed assets	11	1,516	1,995
Debtors - due after one year	12	1,296	1,304
Deferred tax asset	16	1,149	1,768
		3,961	5,067
Current assets			
Debtors	12		
- due within one year		16,005	10,072
Cash at bank and in hand		8,655	24,940
Current Tax Asset		389	-
Total assets		29,010	40,079
Creditors: Amounts falling due within one year:			
Trade and other payables	13	(13,137)	(13,966)
Current tax liabilities		-	(304)
Obligations under finance leases	14	(8)	(7)
Net current assets		11,904	20,735
Total assets less current liabilities		15,865	25,802
Creditors: Amounts falling due after more than one year:			
Provision for liabilities and charges	15	(250)	(118)
Pension liability	22	(1,147)	(2,707)
Obligations under finance leases	14	(19)	(27)
Total liabilities		(14,561)	(17,129)
Net assets		14,449	22,950
Capital and reserves			
Called up share capital	17	12,304	12,304
Profit and loss account	18	2,145	10,646
Total shareholders' funds		14,449	22,950

Notes 1 to 22 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 25 April 2017.

They were signed on its behalf by:

P Hall
Director
Tilney Investment Management
Registered Number: 02010520
Registered Office: 6 Chesterfield Gardens, London W1J 5BQ

Tilney Investment Management
Statement of changes in equity
For the year ended 31 December 2016

	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
Balance as at 1 January 2015	12,304	-	7,977	20,281
Profit for the year	-	-	4,697	4,697
Actuarial loss relating to the pension scheme	-	-	(57)	(57)
Deferred tax attributed to actuarial loss	-	-	29	29
Total comprehensive income for the year	-	-	4,669	4,669
Dividends	-	-	(2,000)	(2,000)
Balance at 1 January 2016	12,304	-	10,646	22,950
Profit for the year	-	-	3,775	3,775
Actuarial profit relating to the pension scheme	-	-	301	301
Deferred tax attributed to actuarial profit	-	-	(60)	(60)
Total comprehensive income for the year	-	-	4,016	4,016
Dividends	-	-	(12,517)	(12,517)
Balance at 31 December 2016	12,304	-	2,145	14,449

1. General information

Tilney Investment Management (the "Company") is a company incorporated in the United Kingdom (England and Wales) under the Companies Act. The address of the registered office is given on page 3. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1 to 3.

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

2. Significant accounting policies

Basis of accounting

The financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

From 1 January 2015 the financial statements continue to be presented in accordance with the provisions of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008 but have been prepared in accordance with FRS 101. This UK GAAP standard allows the use of EU-adopted International Financial Reporting Standards ("IFRS") with reduced disclosures, where allowed, by the Companies Act and associated legislation. The date of transition to FRS 101 was 1 January 2013.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Disclosure exemption

The Company is included in the consolidated financial statements of Tilney Group Limited, a company incorporated in the United Kingdom, whose consolidated financial statements are publicly available. Consequently, the Company has, in compliance with FRS 101, taken advantage of the exemption from preparing the following disclosures that would otherwise have been required by IFRS:

- IAS 7 – Presentation of a cash flow statement;
- IAS 8 – Disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS 24 – Disclosure of key management personnel compensation and the disclosure of transactions with group companies;
- IAS 16 and IAS 38 – Comparative information in respect of the reconciliation of net carrying value;
- IFRS 7 – Disclosures in respect of financial instruments, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated; and
- IFRS 13 – Fair Value Measurement paragraphs 91 to 99, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

Basis of measurement

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

2. Significant accounting policies (continued)

Going concern

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

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

After making comprehensive enquiries and the analysis of financial forecasts prepared by management, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Turnover

Turnover represents commissions receivable and fees receivable for the provision of investment advice and investment management services. Commissions receivable includes estimates of amounts yet to be received at year end. Investment management fees receivable includes estimates of amounts contractually due from clients yet to be invoiced. Any commissions and distribution fees payable to third parties are presented as cost of sales.

Interest revenue

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

Intangible assets acquired separately

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

Retirement benefit costs

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

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

2. Significant accounting policies (continued)

Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments / hedge accounting).

Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

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

Current tax

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

2. Significant accounting policies (continued)

Taxation (continued)

Deferred tax

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

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

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

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

Current tax and deferred tax for the year

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

Tangible fixed assets

Fixtures, fittings and computer equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Computer equipment	25% per annum straight-line
Fixtures and fittings	25% per annum straight-line

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

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

2. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

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

3. Turnover

An analysis of the company's turnover is as follows:

	Year ended 2016 £000	Year ended 2015 £000
Continuing operations		
Discretionary investment management	22,142	23,571
Advisory investment management	2,576	1,346
Execution only	425	435
	25,143	25,352
Interest receivable and similar income (note 7)	53	54
	25,196	25,406

An analysis of the Company's turnover by class of business is set out below.

Turnover:	Year ended 2016 £000	Year ended 2015 £000
Discretionary investment management	22,142	23,571
Advisory investment management	2,576	1,346
Execution only	425	435
	25,143	25,352

4. Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	Year ended 2016 £000	Year ended 2015 £000
Depreciation of tangible fixed assets:		
- owned	478	450
- held under finance lease	11	8
Staff costs (see note 6)	12,499	10,439

5. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £68,000 (2015: £66,000).

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

6. Staff costs

The average monthly number of employees (including executive directors) was:

	Year ended 2016 Number	Year ended 2015 Number
Sales	91	80
Administration	68	64
	159	144

Their aggregate remuneration comprised:

	Year ended 2016 £000	Year ended 2015 £000
Wages and salaries	10,430	8,498
Social security costs	1,273	999
Other pension costs (see note 22)	796	942
	12,499	10,439

7. Interest receivable and similar income

	Year ended 2016 £000	Year ended 2015 £000
Interest receivable:		
Other	53	54
Total interest receivable	53	54

8. Interest payable and similar charges

	Year ended 2016 £000	Year ended 2015 £000
Interest on obligations under finance leases	1	2
Interest on pension liability	98	166
Total interest payable	99	168

9. Tax

	Year ended 2016 £000	Year ended 2015 £000
Corporation tax:		
UK corporation tax	-	304
Adjustments in respect of prior years		
- UK corporation tax	(304)	-
	(304)	304
Deferred tax (note 16):		
Current year	515	1,032
Adjustment in respect of prior years	(29)	30
Effect of changes in tax rates	72	201
	254	1,567

Corporation tax is calculated as 20 per cent (2015: 20.25 per cent) of the estimated taxable profit for the year.

9. Tax (continued)

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	Year ended 2016 £000	Year ended 2015 £000
Profit/(loss) before tax	4,029	6,264
Tax credit on ordinary activities at standard rate 20 % (2015: 20.25%)	806	1,268
Group relief not paid for	(124)	-
Non-deductible expenses	37	77
Income not taxable	-	(9)
Other short term timing differences	-	-
Current tax adjustments for prior periods	(304)	-
Deferred tax adjustments for prior periods	(29)	30
Adjustment in respect of rate change	(72)	201
Other	(60)	-
Tax credit for the year	254	1,567

The Finance (No 2) Act 2015 enacted a reduction in the rate of UK corporation tax to 19% with effect from 1 April 2017. The Finance Act 2016 enacted a further reduction in the UK corporation tax rate to 17% from 1 April 2020. These reductions in the tax rate will impact the current tax charge in future periods.

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised in other comprehensive income:

	Year ended 2016 £000	Year ended 2015 £000
Deferred tax:		
Items that will not be reclassified subsequently to profit or loss:		
Movement in pension liability	60	(29)
Total income tax recognised in other comprehensive income	60	(29)

10. Dividends

	Year ended 2016 £000	Year ended 2015 £000
Amounts recognised as distributions to equity holders in the period	12,517	2,000

The payment of this dividend will not have any tax consequences for the Company.

11. Tangible fixed assets

	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost			
At 1 January 2015	1,372	526	1,898
Additions	-	912	912
As at 31 December 2015	1,372	1,438	2,810
Additions	10	-	10
As at 31 December 2016	1,382	1,438	2,820
Accumulated depreciation			
At 1 January 2015	357	-	357
Charge for the year	339	119	458
As at 31 December 2015	696	119	815
Charge for the year	150	339	489
As at 31 December 2016	846	458	1,304
Carrying amount			
At 31 December 2016	536	980	1,516
At 31 December 2015	676	1,319	1,995
At 1 January 2015	1,015	526	1,541

The Company's obligations under finance leases (see note 14) are secured by the lessors' title to the leased assets, which have a carrying value of £23,423 (2015: £33,833).

12. Debtors

	2016 £000	2015 £000
Amounts falling due within one year:		
Amounts owed by group undertakings	12,675	7,386
Other debtors	2,932	2,127
Prepayments and accrued income	398	559
	16,005	10,072
Amounts falling due after more than one year:		
Other debtors	1,296	1,304

Included in amounts falling due after more than one year is a loan to a director for £75,000 (2015: £75,000), with an interest rate of 4.25% per annum, repayable on disposal of the Tilney group.

13. Trade and other payables

	2016 £000	2015 £000
Amounts falling due within one year:		
Trade creditors	11	92
Amounts owed to group undertakings	5,483	6,122
Other taxes and social security	1,126	967
Other creditors	2,109	2,709
Accruals and deferred income	4,408	4,076
	13,137	13,966

14. Obligations under finance leases

	2016 £000	2015 £000
Amounts payable under finance leases:		
Within one year	9	9
In the second to fifth years inclusive	20	28
	29	37
Less: future finance charges	(2)	(3)
Present value of lease obligations	27	34
Analysed as:		
Amounts due for settlement within 12 months (shown under current liabilities)	8	7
Amounts due for settlement after 12 months	19	27
	27	34

All lease obligations are denominated in sterling.

The fair value of the Company's lease obligations is approximately equal to their carrying amount.

The Company's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 11.

15. Provisions

	Client Redress provision 2016 £000	Client Redress provision 2015 £000
At 1 January	118	956
Charged to profit and loss account	-	118
Released unused	-	(60)
Additional provision	175	-
Utilisation of provision	(43)	(896)
At 31 December	250	118

A provision of £250,000 (2015: £118,000) has been recognised for compensation and redress costs. It is expected that most of the related expenditure will be incurred during 2017. The provision is based on management's best estimate using the latest available information and is subject to regular review to take account of additional information.

16. Deferred tax

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

	Accelerated tax depreciation £000	Retirement benefit obligation £000	Tax losses £000	Total £000
At 1 January 2015	112	2,479	411	3,002
Adjustment in respect of prior years	69	-	(99)	(30)
Adjustment in respect of tax rate change	(17)	(188)	4	(201)
(Charge)/credit to profit or loss	(3)	(713)	(316)	(1,032)
Credit to other comprehensive income	-	29	-	29
At 1 January 2016	161	1,607	-	1,768
Adjustment in respect of prior years	28	-	-	28
(Charge)/credit to profit or loss	7	(594)	-	(587)
Credit to other comprehensive income	-	(60)	-	(60)
At 31 December 2016	196	953	-	1,149

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2016 £000	2015 £000
Deferred tax liabilities	-	-
Deferred tax assets	1,149	1,768
	1,149	1,768

17. Share capital

	2016 £000	2015 £000
Authorised, Issued and fully paid:		
12,304,000 ordinary shares of £1 each	12,304	12,304

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

18. Profit and loss account

	£000
Balance at 1 January 2016	10,646
Net profit for the year	3,775
Actuarial gain relating to pension scheme	301
Deferred tax attributed to actuarial gain	(60)
Dividends paid	(12,517)
Balance at 31 December 2016	2,145

19. Operating lease arrangements

The company as lessee

	Year ended 2016 £000	Year ended 2015 £000
Lease payments under operating leases recognised as an expense in the year	499	608

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £000	2015 £000
Within one year	476	397
In the second to fifth years inclusive	2,044	2,066
After five years	1,210	1,664
	3,730	4,127

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of eight years and rentals are fixed for an average of five years.

Included in Other Creditors is an operating lease incentive, which is released to the profit and loss account over the lease term.

20. Related party transactions

The company has taken advantage of the exemption in FRS 101 "Reduced Disclosures Framework" from the requirement to disclose transactions with group companies on the grounds that it is 100% owned by Tilney Group Limited.

Trading transactions

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

	Recharge of costs	
	2016	2015
	£000	£000
Saga Investment Services Limited	19	5

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2016	2015	2016	2015
	£000	£000	£000	£000
Saga Investment Services Limited	-	5	27	-

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

20. Related party transactions (continued)

Directors' remuneration

The directors' remuneration, analysed under the headings required by company law is set out below.

	Year ended 2016 £000	Year ended 2015 £000
Directors' remuneration		
Emoluments	356	109

	Year ended 2016 £000	Year ended 2015 £000
Remuneration of the highest paid director:		
Emoluments and amounts receivable under long term incentive schemes	156	109

The Directors of the Company are employed by fellow subsidiary undertakings of the Group and as it is impractical to split the directors remuneration between the entities in the Group, their remuneration has been disclosed in the accounts of the other entities in the Group.

21. Controlling party

In the opinion of the directors, the company's ultimate parent company and ultimate controlling party at 31st December 2016 is Alexlux Sarl, a company incorporated in Luxembourg. The parent undertaking of the smallest such group is Tilney (Holdings) Limited, a company incorporated in the United Kingdom. Tilney Group Limited is the parent undertaking of the largest and smallest group for which group financial statements are produced. The address for Tilney Group Limited is 6 Chesterfield Gardens, Mayfair, London, W1J 5BQ. Copies of the group accounts of that company are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

22. Retirement benefit schemes

Defined benefit schemes

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

The disclosures in these accounts below are based on calculations carried out as at 31 December 2016 by a qualified independent actuary.

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

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

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

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

As at 31 December 2016, contributions are payable to the Pension Fund at the rates specified in the Schedule of Contributions signed by the Company and the Trustees on 16 December 2014. Contributions for 2017 are expected to amount to £1.367 million.

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

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

Tilney Investment Management
Notes to the financial statements (continued)
For the year ended 31 December 2016

22. Retirement benefit schemes (continued)

Principal assumptions

The principal actuarial assumptions at the balance sheet date were:

	At 31 December 2016	At 31 December 2015
Discount rate	2.70% pa	3.70% pa
RPI Inflation	3.50% pa	3.20% pa
CPI Inflation	2.60% pa	2.30% pa
Rate of increase in salaries	3.50% pa	3.20% pa
Rate of increase in pensions in payment RPI (max 5.0%)	3.30%	3.10%
Pre-retirement mortality	S2PxA light CMI 2015 with long term improvement of 1.25% pa (110% rating for males, no rating for females)	S2PxA light CMI 2015 with long term improvement of 1.25% pa (110% rating for males, no rating for females)
Post-retirement mortality	S2PxA light CMI 2015 with long term improvement of 1.25% pa (110% rating for males, no rating for females)	S2PxA light CMI 2015 with long term improvement of 1.25% pa (110% rating for males, no rating for females)
Withdrawals	Age related	Age related scale
Cash commutation	50% of maximum tax free cash	50% of maximum tax free cash
Life expectancy of male aged 65 now	22.60	22.50
Life expectancy of male aged 65 in 20 years	24.20	24.10
Life expectancy of female aged 65 now	24.50	24.40
Life expectancy of female aged 65 in 20 years	26.30	26.20

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

Asset breakdown

The major categories of the Scheme assets are:

	At 31 December 2016	At 31 December 2015
Equities	46.4%	12.3%
Corporate Bonds	20.7%	29.7%
Property	0.9%	1.2%
UK Index Linked	22.7%	33.1%
Cash	9.3%	23.7%
Total	100.0%	100.0%

22. Retirement benefit schemes (continued)

Net defined benefit asset/ (liability)

	At 31 December 2016 £000	At 31 December 2015 £000
Fair value of Scheme assets	55,633	47,602
Present value of defined benefit obligation	54,575	43,305
Surplus/(Deficit)	1,058	4,297
Reimbursement rights recognised as an asset	0	0
Net defined benefit asset/(liability) before consideration of minimum funding requirement	1,058	4,297
Effect of asset ceiling limit	(2,205)	(7,004)
Net defined benefit asset/(liability) before tax	(1,147)	(2,707)
Related deferred tax asset	953	1,607
Net defined benefit asset/(liability)	(194)	(1,100)

Development of net defined benefit asset/(liability)

	At 31 December 2016 £000	At 31 December 2015 £000
*Net defined benefit asset/(liability) at start of year	(2,707)	(12,397)
Net periodic benefit cost	(170)	(264)
Employer contributions	1,429	10,011
Remeasurements of the net defined benefit asset/(liability)	(4,757)	683
Change in the effect of the asset ceiling	5,058	(740)
Net defined benefit asset/(liability) at end of year	(1,147)	(2,707)

*After effect of asset ceiling limit

Reconciliation of asset ceiling

	At 31 December 2016 £000	At 31 December 2015 £000
Opening asset ceiling	(7,004)	(6,046)
Interest income on asset ceiling	(259)	(218)
Change in asset ceiling	5,058	(740)
Closing asset ceiling	(2,205)	(7,004)

Total expense recognised in profit or loss

	At 31 December 2016 £000	At 31 December 2015 £000
Current service cost	72	98
Net interest on the net defined benefit liability/(asset)	98	166
Past service cost (including curtailments)	0	0
Losses/(gains) on settlements	0	0
Total	170	264

22. Retirement benefit schemes (continued)

Movements in present value of defined benefit obligation

	At 31 December 2016 £000	At 31 December 2015 £000
Opening present value of defined benefit obligation	43,305	45,396
Current service cost	72	98
Contributions by members	20	18
Interest cost	1,570	1,619
Actuarial (gains) and losses from changes in demographic assumptions	0	(418)
Actuarial (gains) and losses from changes in financial assumptions	12,227	(975)
Changes due to experience adjustments	(482)	(1,255)
Settlement	0	0
Liabilities assumed in a business combination	0	0
Past service cost including curtailments	0	0
Exchange adjustments	0	0
Benefits paid	(2,137)	(1,178)
Benefits paid in respect of settlements	0	0
Closing defined benefit obligation	54,575	43,305

Movements in fair value of Scheme assets

	At 31 December 2016 £000	At 31 December 2015 £000
Opening fair value of Scheme assets	47,602	39,045
Interest income	1,731	1,671
Remeasurement: return on Scheme assets less interest income	6,988	(1,965)
Assets distributed on settlements	0	0
Contributions by employer	1,429	10,011
Contributions by members	20	18
Assets acquired in business combination	0	0
Exchange adjustments	0	0
Benefits paid	(2,137)	(1,178)
Closing fair value of Scheme assets	55,633	47,602

Reconciliation of reimbursement rights recognised as an assets

	At 31 December 2016 £000	At 31 December 2015 £000
Opening fair value of reimbursement rights	0	0
Interest income on reimbursement rights	0	0
Return on reimbursement rights less interest income	0	0
Reimbursements received	0	0
Closing fair value of reimbursement rights	0	0

22. Retirement benefit schemes (continued)

Statement of amount recognised in other comprehensive income

	At 31 December 2016 £000	At 31 December 2015 £000
(Gain)/loss from changes in the financial assumptions for value of Scheme liabilities	12,227	(975)
Gain)/loss from changes in the demographic assumptions for value of Scheme liabilities	-	(418)
Changes due to experience adjustments	(482)	(1,255)
Return on plan assets (excluding amounts included in net interest on the net defined benefit liability/(asset)	(6,988)	1,965
Change in the effect of the asset ceiling	(5,058)	740
Other comprehensive income	(301)	57

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

	At 31 December 2016 £000	At 31 December 2015 £000
Amount recognised in profit and loss	170	264
Other comprehensive income	(301)	57
Total comprehensive income	(131)	321
Net income recognised directly in equity	131	(321)

Sensitivity of Defined Benefit Obligation at 31 December 2016

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

The table below illustrates the sensitivity of the FRS 101 defined benefit obligation to small changes in some of the assumptions. Where one assumption has been changed all the other assumptions are kept the same as disclosed above.

	Increase in disclosed defined benefit obligation £000
Discount rate less 0.1% pa	1,158
RPI inflation and linked assumptions plus 0.1% pa	1,052
Members living one year longer than assumed	1,879

22. Retirement benefit schemes (continued)

Projected profit/loss recognition to 31 December 2017

Because of the significant volatility in investment markets, it is difficult to project forward the FRS 101 figures for the next year with confidence. The following projections should therefore be treated with caution. Assumptions implicit in the following projections are:

- The interest on the defined benefit liability/(asset) at 31 December 2016 is 2.70% pa.
- Expenses will remain at the same level as in the 31 December 2016 disclosures.
- Contributions to the Scheme will continue throughout the period in accordance with the current Schedule of Contributions in place as at the date of signing this report.
- There will be no changes to the terms of the Scheme.

Total expense recognised in profit or loss

	At 31 December 2017
	£000
Current Service Cost	95
Net interest on the net defined benefit liability/(asset)	14
Past Service Cost (including curtailments)	0
Losses (gains) on settlements	0
Total	109