Tilney Investment Management Services Limited

Annual report and financial statements

for the year ended 31 December 2018

Registered number: 02830297

Tilney Investment Management Services Limited

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Tilney Investment Management Services Limited

Strategic report

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

Principal activities

Tilney Investment Management Services Ltd ("the Company") is one of the United Kingdom's leading investment managers and at year end managed client assets of circa £8.7 billion.

The principal activities of the Company are Discretionary Investment Management and Advisory Investment Management as described below in the review of the business.

Review of the business

The Company is a leading private client investment business that is dedicated to rigorous and unbiased research and has a relentless focus on excellent client service and the highest levels of professionalism. We offer a diverse range of services, helping individuals and families across the wealth spectrum whether they want to manage their own investments or to leave the management to us. 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.

The Company's 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 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 the Company is well placed.

Financial results

Turnover for the year ended 31 December 2018 was £56.6 million (year ended 31 December 2017: £51.0 million). Revenues benefited from an increase in net new money and the migration of self-directed and commission-based advised assets into fee-based discretionary and advised services.

The profit before tax for the year ended 31 December 2018 was £13.1 million (year ended 31 December 2017: £4.6 million) and more detail is given in the profit and loss account on page 9.

The Company has net assets of £24.5 million as at 31 December 2018 (31 December 2017: £27.6 million). The balance sheet is set out on page 10.

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 2018 was £8.7 billion (31 December 2017: £7.9 billion).
- Turnover and profit before tax - details of these are listed under the Financial Results section above.

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.

Strategic report (continued)

Principal risks and uncertainties (continued)

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 Company'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.

Brexit

The Company has also considered the impact of Brexit and analysed how that risk might affect the Company's financial resources and ability to continue operations over the next twelve months. We have nothing to report in this respect.

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 Self-Invested Personal Pensions (SIPP) market; generation of new leads via digital marketing and referrals from existing clients. The Best SIPP, available through the Online Investment Service, is very competitively priced compared to other low-cost SIPPs and the business has increased its marketing focus on pensions.

Approval

Approved by the Board and signed on its behalf by:

A M Baddeley

Director
11 April 2019

Tilney Investment Management Services Limited
Registered Number: 02830297
Registered Office: 6 Chesterfield Gardens, London W1J 5BQ

Tilney Investment Management Services Limited

Directors' report

The directors present their report and financial statements for the year ended 31 December 2018.

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 a period of at least twelve months. 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 significant accounting policies note in the notes to the financial statements.

Dividends

The directors do not recommend payment of a final dividend. During the year the Company paid dividends of £14.0 million (year ended 31 December 2017: £2.0 million).

Directors

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

A Baddeley	(appointed 12 September 2018)
L Dooley	
W Downing	(resigned 3 August 2018)
A Edwards	
P Frame	
C Godding	
A Grant	(appointed 27 September 2018)
D Reid	
C Woodhouse	

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 Services Limited's Board meeting at least annually.

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

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 FCA's Prudential Sourcebook for Investment Firms ("IFPRU"), please visit the Tilney Group website at www.tilney.co.uk.

Auditor

Pursuant to s487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board and signed on its behalf by:

A M Baddeley

Director
11 April 2019

Tilney Investment Management Services Limited
Registered Number: 02830297
Registered Office: 6 Chesterfield Gardens, London W1J 5BQ

Tilney Investment Management Services Limited

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 Services Limited

Opinion

We have audited the financial statements of Tilney Investment Management Services Limited ("the Company") for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Directors' report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at

www.frc.org.uk/auditorsresponsibilities.

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

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

M. Humphrey.

Matthew Humphrey (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
12 April 2019

Tilney Investment Management Services Limited
Profit and loss account
For the year ended 31 December 2018

	Note	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Turnover	3	56,626	51,015
Cost of sales		(2,275)	(352)
Gross profit		54,351	50,663
Operating and administrative expenses:			
- General	4	(40,776)	(40,419)
- Exceptional items: other costs	5	(740)	(700)
Operating profit		12,835	9,544
Interest receivable and similar income	8	275	5
Interest payable and similar charges	9	(1)	(251)
Profit before tax		13,109	9,298
Tax	10	(2,186)	(1,465)
Profit after tax		10,923	7,833

All activities are derived from continuing operations. There are no recognised gains or losses other than the profit for the current or prior year. Accordingly, no statement of comprehensive income is given.

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

Tilney Investment Management Services Limited

Balance sheet

As at 31 December 2018

	Note	31 December 2018 £000	31 December 2017 £000
Non-current assets			
Other intangible assets	12	8,182	7,705
Tangible fixed assets	13	-	20
Investment in associate	14	-	-
Deferred tax asset	18	150	195
		8,332	7,920
Current assets			
Debtors due within one year	15	21,801	33,602
Cash at bank and in hand		7,277	2,994
Current tax asset		-	292
Total current assets		29,078	36,888
Total assets		37,410	44,808
Creditors: Amounts falling due within one year:			
Trade and other payables	16	(11,759)	(12,949)
Obligations under leases	17	(17)	(16)
		(11,776)	(12,965)
Net current assets		17,302	24,223
Total assets less current liabilities		25,634	32,143
Creditors: Amounts falling due after more than one year:			
Obligations under leases	17	-	(17)
Provisions	19	(1,104)	(4,219)
Total liabilities		(12,880)	(17,201)
Net assets		24,530	27,607

Tilney Investment Management Services Limited
Balance sheet (continued)
As at 31 December 2018

	Note	31 December 2018 £000	31 December 2017 £000
Capital and reserves			
Called up share capital	20	1,050	1,050
Other reserves		11,489	11,489
Profit and loss account		11,991	15,068
Total shareholders' funds		24,530	27,607

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 11 April 2019.

They were signed on its behalf by:

A M Baddeley
Director
Tilney Investment Management Services Limited
Registered Number: 02830297
Registered Office: 6 Chesterfield Gardens, London W1J 5BQ

Tilney Investment Management Services Limited
Statement of changes in equity
For the year ended 31 December 2018

	Share capital £000	Other reserves £000	Profit and loss account £000	Total £000
Balance as at 1 January 2017	1,050	11,489	9,235	21,774
Profit for the year	-	-	7,833	7,833
Total comprehensive income for the year	-	-	7,833	7,833
Dividends	-	-	(2,000)	(2,000)
Balance at 31 December 2017	1,050	11,489	15,068	27,607
Profit for the year	-	-	10,923	10,923
Total comprehensive income for the year	-	-	10,923	10,923
Dividends	-	-	(14,000)	(14,000)
Balance at 31 December 2018	1,050	11,489	11,991	24,530

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

1. General information

Tilney Investment Management Services Limited (the "Company") is a company incorporated in 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 2018 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 principal accounting policies are summarised below. Unless otherwise stated, they have been applied consistently to all periods presented in the financial statements.

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 transaction 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.
- IFRS 15 - Qualitative and quantitative information about all contracts with customers and judgements made, disclosure in respect of revenue recognised from contracts with customers separately from its other sources of revenue, disaggregate revenue into specific categories and disclosing information on performance obligations.
- IFRS 16 - Disclose information in a single note or section of the financial statements; specific disclosure requirements around finance leases and operating leases; and maturity analysis of lease liabilities per IFRS 7 separately from the maturity analyses of other financial liabilities.

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 a period of at least twelve months.

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 a period of at least twelve months. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for at cost less, where appropriate, provisions for impairment.

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.

<u>Turnover</u>

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.

<u>Interest revenue</u>

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.

Leases

The Company has early adopted IFRS 16 using the retrospective approach. The impact of the change is disclosed in note 2.

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

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

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

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

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

2. Significant accounting policies (continued)

Leases (continued)

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

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

If the carrying amount of the right-of-use asset has been reduced to zero, the adjustment is recorded in the profit and loss account.

The company previously classified the lease as a finance lease under IAS 17 and is now required to classify it as a lease under IFRS 16. The lease has a maturity of less than twelve months and Management do not believe the transition to IFRS 16 has a material impact on the amounts disclosed.

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.

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 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.

2. Significant accounting policies (continued)

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives on the following bases:

Trading Platform	15 years
Customer Lists	12-16 years

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of the changes in estimate being accounted for on a prospective basis.

Tangible fixed assets

Fixtures and 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:

Equipment	25% - 33% 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.

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.

Other financial assets
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'measured at amortised cost'. These financial assets 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, subsequently measured at amortised cost.

2. Significant accounting policies (continued)

Changes in accounting policies

IFRS 9 Financial Instruments

The Company has applied IFRS 9 with initial application of 1 January 2018. IFRS 9 addresses the classification, measurement and recognition of financial instruments. It replaces the multiple classification and measurement models in IAS 39.

IFRS 9 also addresses the impairment analysis of financial assets measured at amortised cost. At each reporting date, the Company shall measure the loss allowance on those financial assets at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses.

IFRS 15 Revenue from Contracts with Customers

The Company has also applied IFRS 15 with effect from 1 January 2018. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The Company has assessed the impact of the new standard and concluded that there is no material impact on the Company's revenue recognition policies.

IFRS 16 Leases

The Company has early adopted IFRS 16 using the fully retrospective approach with a date of initial application of 1 January 2018. As a result, the Company has changed its accounting policy for lease contracts. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities measured under IFRS 16.

3. Turnover

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

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Continuing operations		
Discretionary investment management	39,991	35,565
Advisory investment management	7,354	7,304
Execution only	9,281	8,146
	56,626	51,015
Interest receivable and similar income (note 8)	275	5
	56,901	51,020

4. Profit for the year

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

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Depreciation of tangible fixed assets:		
- leased assets	20	21
Amortisation of intangible assets:		
- included in other operating expenses	589	626
Impairment loss	668	1,469

5. Exceptional items

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

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Other costs – loan to associate written off	110	700
Other costs – contract termination costs (see Note 19)	630	-
	740	700

6. Auditor's remuneration

Fees payable to KPMG LLP and their associates for the audit of the Company's accounts for the year ended 31 December 2018 were £28,000 (year ended 31 December 2017: £28,000).

Fees payable to KPMG 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.

7. Staff costs

The emoluments of the directors were paid and borne by Tilney Services Limited, another subsidiary within the group. None of their remuneration was specifically attributable to their services to the Company.

Staff costs were paid and borne by Tilney Services Ltd. Tilney Services Limited allocated a portion of its salary and administrative costs to the Company based upon the proportion of revenue generated by the Company and the other operating subsidiaries within the group.

8. Interest receivable and similar income

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Interest receivable:		
Bank deposits	-	5
Other loans and receivables	275	-
Total interest receivable	275	5

9. Interest payable and similar charges

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Interest on obligations under leases	1	1
Unwinding of discount on provisions	-	250
Total interest payable and similar charges	1	251

10. Tax

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Corporation tax:		
UK corporation tax	2,648	1,427
Adjustments in respect of prior years		
- UK corporation tax	(507)	5
Corporation tax expense	2,141	1,432
Deferred tax (note 18)		
Origination and reversal of timing differences	66	83
Adjustment in respect of prior years	(15)	(43)
Adjustment in respect of rate change	(6)	(7)
Total tax expense	2,186	1,465

Corporation tax is calculated at 19 per cent (31 December 2017: 19.25 per cent) of the estimated taxable profit for the year.

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

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Profit before tax on continuing operations	13,109	9,298
Tax at the UK corporation tax rate of 19% (31 December 2017: 19.25%)	2,491	1,790
Non-deductible expenses	211	441
Adjustment in respect of rate change	6	7
Effects of group relief	-	(735)
Current tax adjustments for prior years	(507)	5
Deferred tax adjustments for prior years	(15)	(43)
Tax expense for the year	2,186	1,465

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

11. Dividends

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Amounts recognised as distributions to equity holders in the period	14,000	2,000

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

12. Intangible assets

	Trading Platform £000	Customer Lists £000	Total £000
Cost			
At 1 January 2017	2,190	-	2,190
Reallocated from Bestinvest (Consultants) Ltd	-	5,632	5,632
Additions	-	2,975	2,975
Write down due to unwinding of discount	-	(125)	(125)
Impairment loss	-	(1,469)	(1,469)
At 31 December 2017	2,190	7,013	9,203
Additions	-	1,734	1,734
Impairment loss	-	(668)	(668)
At 31 December 2018	2,190	8,079	10,269
Accumulated amortisation and impairment			
At 1 January 2017	815	-	815
Reallocated from Bestinvest (Consultants) Ltd	-	57	57
Charge for the year	146	480	626
At 31 December 2017	961	537	1,498
Charge for the year	146	443	589
At 31 December 2018	1,107	980	2,087
Carrying amount			
At 31 December 2018	1,083	7,099	8,182
At 31 December 2017	1,229	6,476	7,705

During the year, an impairment loss of £668,000 was recognised in relation to the Private Client business.

During the year, the Company purchased the business of Saga Investment Services Limited. An amount of £1,504,000 is included in additions for the year.

Tilney Investment Management Services Limited
Notes to the financial statements (continued)
For the year ended 31 December 2018

13. Tangible fixed assets

	Fixtures, fittings and equipment £000	Right-of-use assets £000	Total £000
Cost			
At 1 January 2017	598	82	680
At 31 December 2017	598	82	680
At 31 December 2018	598	82	680
Accumulated depreciation			
At 1 January 2017	598	41	639
Charge for the year	-	21	21
At 31 December 2017	598	62	660
Charge for the year	-	20	20
At 31 December 2018	598	82	680
Carrying amount			
At 31 December 2018	-	-	-
At 31 December 2017	-	20	20

14. Investment in associate

	2018 £000	2017 £000
Cost		
At 1 January	-	-
At 31 December	-	-

Details of the Company's investments at 31 December 2018 are as follows:

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

The investments are stated at cost less provision for impairment.

15. Debtors

	2018 £000	2017 £000
Amounts falling due within one year:		
Trade debtors	3,282	3,460
Amounts owed by group undertakings	12,777	16,733
Loan to third party	–	200
Other debtors	1,020	494
Prepayments and accrued income	4,722	12,715
	21,801	33,602

16. Trade and other payables

	2018 £000	2017 £000
Trade creditors and accruals	14	14
Amounts owed to group undertakings	9,451	12,848
Other taxes and social security costs	-	-
Other creditors	2,243	26
Accruals and deferred income	51	61
	11,759	12,949

17. Leases

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

Right of use assets

Right of use assets are disclosed in note 17.

Lease Liabilities

	2018 £000	2017 £000
Maturity analysis - contractual undiscounted cash flows		
Within one year	18	17
In the second to fifth years inclusive	-	18
After more than five years	-	-
Total undiscounted lease liabilities at 31 December	18	35
Lease liabilities included in the balance sheet at 31 December		
Current	17	16
Non-current	-	17
	17	33

18. 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.

	Decelerated capital allowances £000	Tax losses £000	Total £000
At 1 January 2017	228	-	228
Adjustment in respect of prior year	43	-	43
Charge for the period to profit or loss account	(76)	-	(76)
At 1 January 2018	195	-	195
Adjustment in respect of prior year	15	-	15
Charge for the period to profit or loss account	(60)	-	(60)
At 31 December 2018	150	-	150

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:

	2018 £000	2017 £000
Deferred tax liabilities	-	-
Deferred tax assets	150	195
	150	195

It is expected that the company will be able to claim capital allowances in future years and obtain benefit for these allowances by offset against taxable profits of the company, or indirectly by offset against taxable profits of other companies within the group. Therefore a deferred tax asset of £150,000 (31 December 2017: £195,000) has been recognised on decelerated capital allowances.

19. Provisions

	2018 £000	2017 £000
Provision for liabilities-		
Contingent consideration	474	4,219
Contract termination	630	-
	1,104	4,219

The provisions relating to acquisitions were based on the fair value at the date of acquisition.

	Contract termination 2018 £000	Contingent consideration 2018 £000	Contingent consideration 2017 £000
At 1 January	-	4,219	-
On acquisition of business	-	-	2,600
Recognised in the year	630		
Reallocation of provision	-	-	2,502
Utilisation of provision	-	(4,089)	(1,177)
Unwinding of discount	-	-	250
Revaluation of provision	-	-	44
Elimination of tax effect	-	388	-
At 31 December	630	474	4,219

The contingent consideration relates to:

- an earn-out payment in respect of the purchase of the Private Client business of PricewaterhouseCoopers LLP. A final payment is due in 2019.
- an earn-out payment in respect of the purchase of the business of Midas Investment Management Services Limited. A final payment is due in 2019.

The contract termination provision recognised in the year relates to the termination of a supplier agreement, and reflects a potential settlement for ending this contract during 2019.

20. Share capital

	2018 £000	2017 £000
Issued and fully paid:		
1,050,000 ordinary shares of £1 each	1,050	1,050

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

21. 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:

	Settlement of intercompany loan balance	
	2018	2017
	£000	£000
Saga Investment Services Limited	-	35

The following amounts were outstanding at the balance sheet date:

	Amounts owed by related parties		Amounts owed to related parties	
	2018	2017	2018	2017
	£000	£000	£000	£000
Saga Investment Services Limited	-	-	-	-

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.

Directors' remuneration

The Directors of the Company were 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.

22. Controlling party

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Alexlux Sarl, a company incorporated in Luxembourg. The parent undertaking of the smallest such group is Bestinvest (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.