

**SMITH & WILLIAMSON
FINANCIAL SERVICES LIMITED
REPORT AND FINANCIAL STATEMENTS
for the year ended
30 April 2020**

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Smith & Williamson Financial Services Limited

Contents

Report and financial statements for the year ended 30 April 2020

	Page(s)
Strategic report	1-2
Directors' report	3-4
Independent auditor's report	5-6
Statement of comprehensive income	7
Balance sheet	8
Cash flow statement	9
Statement of changes in equity	10
Notes to the financial statements	11-22

Smith & Williamson Financial Services Limited

Strategic report

Business overview

The principal activities of Smith & Williamson Financial Services Limited ('the company') are the provision of pensions, insurance and investment advice and services.

Strategic objectives and key performance indicators

Our strategic objectives are to focus on developing our people, working in unison and enhancing our technology to support our future growth. This strategy will enable our people to utilise modern technology and deliver a more comprehensive breadth and depth of joined-up services, when and where it is most appropriate for our clients.

Key performance indicators are discussed below. Further details can be found in the Smith & Williamson Holdings Limited group's annual report and accounts, which does not form part of this report.

Financial review

Operating income from continuing operations for the year was £10,073,000 (2019: £10,117,000) whilst loss before tax from continuing operations was £513,000 (2019: £590,000 profit). Increase in operating expenses such as PI provisions, FCA charges and other professional fees contributed to the loss of the company. Loss after tax from discontinuing operations for the year was £nil (2019: £21,000).

Operating cash outflow before movements in operating assets and liabilities was £513,000 (2019: £586,000 cash inflow).

Taxation from continuing operations for the year was a tax credit of £90,000 (2019: £122,000 charge) due to the losses made during the year. A full reconciliation is set out in note 5.

At 30 April 2020, the company had net assets of £3,462,000 (2019: £3,885,000).

Principal risks and uncertainties

The Smith & Williamson Holdings Limited group has made significant investment in its risk management and compliance capabilities to help embed the risk management framework. This framework is underpinned by policies, procedures and reporting, all of which will continue to evolve with the needs of the group, as it seeks to deliver its strategic objectives.

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group. Accordingly, the principal risks and uncertainties of the group, which include those of the company, are discussed in the Smith & Williamson Holdings Limited consolidated report and accounts which does not form part of this report. Details of the company's financial risks are included in note 16.

Corporate responsibility and environmental policy

The corporate responsibility and environmental policy applicable to the company is as set out in Smith & Williamson Holdings Limited group's annual report and accounts.

Section 172 statement

The directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the company for the benefit of its members, and in doing so had regard to the interests of a wider set of stakeholders. How stakeholder interests are considered by the board through its decision making and engagement with them are detailed in the Smith & Williamson annual report and accounts, which does not form part of this report.

Going concern

The company is reliant upon the support from its ultimate parent undertaking Smith & Williamson Holdings Limited and its subsidiary undertakings ('the group') as it meets its day-to-day working capital requirements and regulatory capital requirements through loans provided to it by group members. The group members have confirmed that they will continue to fund the company by inter-company loans to enable the company to meet its liabilities as they fall due and to meet the regulatory capital requirements. The group's forecasts and projections, taking account of reasonable possible downsides including the potential impact of COVID-19, show that the group is in a position to provide this support for a period of at least 12 months from the date of signing of these financial statements.

The directors are required to satisfy themselves that it is reasonable to presume that the company is a going concern. After reviewing the company's performance projections for the period of at least 12 months, including forecast cash flows and liquidity, the directors are satisfied that in taking account of reasonable possible downsides including the potential impact of COVID-19, the company has adequate access to resources to enable it to meet its obligations and continue in operational existence for the foreseeable future.

Smith & Williamson Financial Services Limited

Strategic report (continued)

In forming this view, the directors have considered the impact of the emergence and spread of COVID-19, such as government-imposed lockdowns and restrictions, and the potential implications on the future of the company. It is the view of the directors that the business is able to remain in operation for the foreseeable future as the company has been able to move almost all staff to a remote working model. This has meant that the company is continuing to provide the same level of support and proactive service to clients to which they are accustomed and will be able to do so for a prolonged period.

Therefore, in the view of the directors, despite the global economic impact of COVID-19, the pandemic will not significantly impact the liquidity of the company over the next 12 months. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Events after the balance sheet date

Details of events after the balance sheet date are set out in note 12.

On behalf of the board



K P Stopps
Director

14 August 2020



G T Hotson
Director

14 August 2020

Smith & Williamson Financial Services Limited

Directors' report

The directors present their report on the affairs of the company, together with the audited financial statements for the year ended 30 April 2020.

Directors

The directors of the company are listed below. All of these directors served throughout the year under review and up to the point of signing the financial statements, except where noted.

E G Chambers
D M Cobb
P L Fernandes
A C Fisher
B C Goldring
G T Hotson
K Jones
C R Stent (appointed 4 October 2019)
K P Stopps
A F Sykes

Dividends

No dividends were paid during the year (2019: £nil). The directors do not recommend the payment of a final dividend (2019: £nil).

Indemnity

The directors have been covered by third party liability insurance throughout the year and the policy of insurance remains in force.

Principal risks and uncertainties

Information on the company's management of financial risk is disclosed in the strategic report page 1 and note 16.

Independent auditors

During the year, PricewaterhouseCoopers LLP resigned as auditors. On 28 May 2020, the board approved the appointment of Mazars LLP as auditors.

Future outlook

The directors have reviewed the business and consider the performance of the company to be in line with expectations for the year which incorporates the impact of COVID-19. The directors consider that the company's position at the end of the year is consistent with the size and complexity of the business. Despite uncertainties regarding the impact of COVID-19, the directors are cautiously optimistic that the current levels of performance will be improved in the medium-term.

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Smith & Williamson Financial Services Limited

Directors' report (continued)

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

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

Each person who is a director at the date of approval of the report and the financial statements confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

On behalf of the board



D A Saunders
Company Secretary

25 Moorgate,
London,
EC2R 6AY

14 August 2020

Independent auditor's report

to the members of Smith & Williamson Financial Services Limited

Opinion

We have audited the financial statements of Smith and Williamson Financial Services Limited (the 'company') for the year ended 30 April 2020 which comprise the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the company financial statements, which is not modified, we draw your attention to the directors' view of the impact of the continuing global pandemic from the outbreak of COVID-19 as disclosed on page 11, and the consideration of the going concern basis of preparation on the same page.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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.

Independent auditor's report (continued)

to the members of Smith & Williamson Financial Services Limited

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on pages 3 & 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

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.



Andrew Heffron (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
London

14 August 2020

Smith & Williamson Financial Services Limited

Statement of comprehensive income

for the year ended 30 April 2020

	Note	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
Continuing operations			
Fee and commission income		10,281	10,208
Fee and commission expense		(148)	(91)
Net fee and commission income	3	<u>10,133</u>	<u>10,117</u>
Net trading loss		(60)	-
Operating income		<u>10,073</u>	<u>10,117</u>
Operating expenses	4	(10,592)	(9,532)
Operating (loss)/profit		<u>(519)</u>	<u>585</u>
Finance income		6	5
(Loss)/profit before tax from continuing operations		<u>(513)</u>	<u>590</u>
Taxation	5	90	(122)
(Loss)/profit for the year from continuing operations		<u>(423)</u>	<u>468</u>
Loss after tax for the year from discontinued operations	17	-	(21)
(Loss)/profit for the year		<u>(423)</u>	<u>447</u>
Total comprehensive (loss)/income for the year		<u>(423)</u>	<u>447</u>

The accompanying notes to the financial statements on pages 11 to 22 form an integral part of the financial statements.

Smith & Williamson Financial Services Limited

Balance sheet

as at 30 April 2020

	Note	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Assets			
Current assets			
Cash and cash equivalents	6	3,298	3,132
Prepayments, accrued income and other receivables	7	2,657	2,786
Current tax assets		229	-
Total assets		6,184	5,918
Liabilities			
Current liabilities			
Accruals, deferred income, provisions and other payables	9	2,722	1,973
Current tax liabilities		-	60
Total liabilities		2,722	2,033
Net assets		3,462	3,885
Equity			
Share capital	10	600	600
Retained earnings		2,862	3,285
Total equity		3,462	3,885

The accompanying notes to the financial statements on pages 11 to 22 form an integral part of the financial statements.

The financial statements on pages 7 to 22 were approved by the board and authorised for issue on 14 August 2020 and signed on its behalf by:



K P Stopps
Director



G T Hotson
Director

Company Registration Number: 3133226

Smith & Williamson Financial Services Limited

Cash flow statement

for the year ended 30 April 2020

	Note	Year ended 30 April 2020 £'000	Year ended 30 April 2019 £'000
Continuing operations			
Cash flows from operating activities			
(Loss)/profit before tax		(513)	590
Change in expected credit losses on adoption of new accounting standards		-	(4)
Operating cash flows before movements in operating assets and liabilities		(513)	586
Changes in operating assets and liabilities			
Decrease in prepayments, accrued income and other receivables		129	459
Increase/(decrease) in accruals, deferred income, provisions and other payables		749	(202)
Cash generated from operations		365	843
Tax paid		(199)	(111)
Net cash inflow from operating activities		166	732
Net cash used in discontinued operations	17	-	(26)
Net increase in cash and cash equivalents		166	706
Cash and cash equivalents at beginning of the year		3,132	2,426
Cash and cash equivalents at the end of the year	6	3,298	3,132

The accompanying notes to the financial statements on pages 11 to 22 form an integral part of the financial statements.

Smith & Williamson Financial Services Limited

Statement of changes in equity

for the year ended 30 April 2020

	Share capital £'000	Retained earnings £'000	Total equity £'000
Equity at 1 May 2018	600	2,838	3,438
Total comprehensive income for the year ended 30 April 2019	-	447	447
Equity at 30 April 2019	600	3,285	3,885
Total comprehensive loss for the year ended 30 April 2020	-	(423)	(423)
Equity at 30 April 2020	600	2,862	3,462

The accompanying notes to the financial statements on pages 11 to 22 form an integral part of the financial statements.

Smith & Williamson Financial Services Limited

Notes to the financial statements

for the year ended 30 April 2020

1. Principal accounting policies

Smith & Williamson Financial Services Limited is a company incorporated and domiciled in the United Kingdom.

The financial statements have been prepared in accordance with IFRSs as adopted by the EU and interpretations issued by the IFRS Interpretations Committee (IFRS IC). The financial statements are also prepared in accordance with those parts of the Companies Act 2006 that remain applicable to companies reporting under IFRSs as adopted by the EU. The financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair value. The accounting policies have been applied consistently.

New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following amendments to standards, applicable to the company, which have not been applied in these financial statements, were in issue but not yet mandatorily effective for the company:

- Amendments to IFRS 3 Business combinations;
- Amendments to IAS 1 and IAS 8: Definition of material; and
- Amendments to references to the Conceptual Framework in IFRS Standards.

The amendments, which are effective for financial years commencing on or after 1 January 2020, are not expected to have a material impact on the company's report and financial statements. The first financial statements published in accordance with these amendments will be the 30 April 2021 report.

Going concern

The company is reliant upon the support from its ultimate parent undertaking Smith & Williamson Holdings Limited and its subsidiary undertakings ('the group') as it meets its day-to-day working capital requirements and regulatory capital requirements through loans provided to it by group members. The group members have confirmed that they will continue to fund the company by inter-company loans to enable the company to meet its liabilities as they fall due and to meet the regulatory capital requirements. The group's forecasts and projections, taking account of reasonable possible downsides including the potential impact of COVID-19, show that the group is in a position to provide this support for a period of at least 12 months from the date of signing of these financial statements.

The directors are required to satisfy themselves that it is reasonable to presume that the company is a going concern. After reviewing the company's performance projections for the period of at least 12 months, including forecast cash flows and liquidity, the directors are satisfied that in taking account of reasonable possible downsides including the potential impact of COVID-19, the company has adequate access to resources to enable it to meet its obligations and continue in operational existence for the foreseeable future.

In forming this view, the directors have considered the impact of the emergence and spread of COVID-19, such as government-imposed lockdowns and restrictions, and the potential implications on the future of the company. It is the view of the directors that the business is able to remain in operation for the foreseeable future as the company has been able to move almost all staff to a remote working model. This has meant that the company is continuing to provide the same level of support and proactive service to clients to which they are accustomed and will be able to do so for a prolonged period.

Therefore, in the view of the directors, despite the global economic impact of COVID-19, the pandemic will not significantly impact the liquidity of the company over the next 12 months. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Foreign currencies

Functional and presentation currency

The financial statements are presented in pounds sterling, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary items are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Smith & Williamson Financial Services Limited

Notes to the financial statements (continued)

for the year ended 30 April 2020

Income recognition

Income is recognised at the fair value of the consideration received or receivable. The point at which revenue is recognised is described below.

Net fee and commission income

Fee income

Income recognition occurs in the period in which services are rendered by reference to the services performed to date compared to the total services performed.

The fair value of the consideration received or receivable is based on the contractual terms of the engagement, usually determined by an individual's hours worked at an appropriate charge out rate. Income represents amounts recoverable from clients for professional services provided during the year. The company recognises revenue when it transfers control over the service to a client.

Income in respect of contingent fee assignments is only recognised when the contingent event occurs. Unbilled income on individual client assignments is included as accrued income within prepayments, accrued income and other receivables. Where individual on-account billings exceed revenue on client assignments, the excess is classified as fees in advance within accruals, deferred income, provisions and other payables.

Advisory fees

Advisory fees are recognised on a continuous basis over the period in which the related services are provided. The fair value of fees received or receivable is measured based on the contracted rates by client and the current market position.

Fees in respect of contingent fee assignments are only recognised to the extent that the contingent events have occurred.

Commissions

Commission charges for executing transactions on behalf of clients are recognised when we have fulfilled our obligations to the client in respect of the transaction. The fair value of the commission received or receivable is measured based on the contractual commission rate.

Net interest income

Interest income or expense from interest-bearing financial instruments, except those classified as held for trading, is calculated using the effective interest method and recognised within net interest income.

The effective interest method is the method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument (or when appropriate, a shorter period) to the net carrying amount of the instrument. The application of the method has the effect of recognising income receivable (or expense payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating effective interest, the company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

Net trading income/expense

Net trading income/expense comprises net dealing profits earned on transactions entered into with the market at the request of clients.

Taxation

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

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

Deferred tax 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.

Smith & Williamson Financial Services Limited

Notes to the financial statements (continued)

for the year ended 30 April 2020

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, provided these rates are enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case it is dealt with in equity.

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.

Discontinued operations

Discontinued operations is a component of the company that has been disposed of and represents a separate major line of business.

Profit from discontinued operations, is presented in a single amount in the statement of comprehensive income and cash flow statement. The amount is further analysed in note 17.

Cash and cash equivalents

For the purpose of preparation of the cash flow statement, cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity period of three months or less. Bank overdrafts that are an integral part of the company's cash management are included in cash and cash equivalents where they have a legal right of set-off against positive cash balances and an intention to settle on a net basis, otherwise bank overdrafts are classified as borrowings.

Financial instruments

Financial assets and liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. They are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Financial assets

Classification of financial instruments

The company is required to classify its financial assets into those to be measured at amortised cost and those to be measured at fair value (either through other comprehensive income, or through profit or loss). The classification depends on the company's business model for managing financial assets and the contractual terms of the financial assets' cash flows.

The company has one type of financial asset, being financial assets measured at amortised cost.

Financial assets measured at amortised cost

Investments in debt instruments are measured at amortised cost where they have contractual terms that give rise to cash flows on specified dates that represent solely payments of principal and interest on the principal amount outstanding; and are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. The measurement of credit impairment is based on the three-stage expected credit loss (ECL) model described below in impairment of financial assets. Financial assets measured at amortised cost are included in note 6 – cash and cash equivalents and note 7 – other receivables.

Impairment of financial assets

The company applies a three-stage approach to measuring ECLs for debt instruments measured at amortised cost.

Smith & Williamson Financial Services Limited

Notes to the financial statements (continued)

for the year ended 30 April 2020

Financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Lifetime ECL – credit impaired

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Measurement of ECLs

Expected credit losses for cash and cash equivalents are calculated based on management's estimate of the probability of default, the loss given default and the exposure at default of each exposure taking into account the company's own credit loss experience and industry credit loss information published by Standard & Poor's. Bank deposits which have an external grade lower than BBB are deemed to provide evidence of sufficient doubt about the ultimate collectability of principal and/or interest.

Trade receivables are generally short term and do not contain significant financing components and therefore the company has applied a practical expedient by using a provision matrix to calculate lifetime ECLs based on actual credit loss experience adjusted by forward-looking estimates.

Where appropriate, default assumptions consider a range of relevant internal and external forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments, which support the calculation of ECLs. Macro-economic factors taken into consideration include, but are not limited to, unemployment, interest rates, gross domestic product, inflation, and require an evaluation of both the current and forecast direction of the macro-economic cycle.

Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs.

Presentation

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses are presented under 'other operating expenses' (note 4). No losses are presented separately in the statement of comprehensive income.

Financial liabilities

The two categories are amortised cost and fair value through profit or loss (either designated as such or held for trading).

The company has not designated any liabilities as fair value through profit or loss. Therefore, under IFRS 9, the company has classified all financial liabilities as amortised cost, with no material impact on measurement.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation which, as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. Critical accounting judgements and key sources of estimation uncertainty

The company makes estimates and assumptions that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Smith & Williamson Financial Services Limited

Notes to the financial statements (continued)

for the year ended 30 April 2020

Accounting estimates

Accrued income

Accrued income and work billed are recognised as income when there is a right to consideration and the outcome can be estimated reliably. This methodology is subject to significant estimation uncertainty due to the subjective nature of assessing both the stage of completion and recoverability of accrued income and different estimations could materially affect the reported value of accrued income. The review of the stage of completion and recoverability of accrued income is undertaken by the relevant director on a client by client basis.

To minimise the estimation uncertainty risk a detailed year-end review is undertaken at portfolio level to ensure consistency with company policy.

3. Revenue from contracts with customers

Revenue from contracts with customers is disclosed as fee and commission income in the statement of comprehensive income.

The company derives revenue from the transfer of services over time.

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	2020	2019
	£'000	£'000
Receivables – billed fees	1,373	1,971
Contract assets – unbilled fees	672	815
Contract liabilities – fees in advance	1,240	979

Receivables are included in trade and other receivables (note 7).

Contract assets primarily relate to the company's rights to consideration for work completed but not billed at the reporting date and are included in accrued income (note 7).

Contract liabilities primarily relate to the advance of consideration received from customers and are included in fees in advance (note 9).

Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

	Contract assets £'000	Contract liabilities £'000
At 1 May 2019	815	979
Income recognised	-	(979)
Cash received excluding recognised income	-	1,240
Transfer to receivables	(815)	-
Increases as a result of changes in the measure of progress	672	-
At 30 April 2020	672	1,240
	Contract assets £'000	Contract liabilities £'000
At 1 May 2018	1,110	976
Income recognised	-	(976)
Cash received excluding recognised income	-	979
Transfer to receivables	(1,110)	-
Increases as a result of changes in the measure of progress	815	-
At 30 April 2019	815	979

Smith & Williamson Financial Services Limited

Notes to the financial statements (continued)

for the year ended 30 April 2020.

4. Operating expenses

	2020	2019
	£'000	£'000
Other operating expenses	10,503	9,496
Change in expected credit losses (note 8)	66	14
Auditor's remuneration for the audit of the company's financial statements	18	18
Auditor's remuneration for audit related assurance services	5	4
	<u>10,592</u>	<u>9,532</u>

The company did not have any contractual employees during the current year or prior year. The resources of directors and staff were provided to the company by Smith & Williamson Corporate Services Limited and Smith & Williamson Freaney Employment Services Limited and the resources of certain partners of Smith & Williamson Investment Management LLP and Smith & Williamson LLP were provided to the company under service agreements. These staff related costs are included in other operating expenses above.

5. Taxation

	Continuing operations		Discontinued operations		Total	
	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000
Current tax	(90)	122	-	(5)	(90)	117
	<u>(90)</u>	<u>122</u>	<u>-</u>	<u>(5)</u>	<u>(90)</u>	<u>117</u>

UK corporation tax is calculated at 19.0% (2019: 19.0%) of the estimated assessable profit for the year.

The tax on the company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company as follows:

	2020	2019
	£'000	£'000
(Loss)/profit before tax from continuing operations	(513)	590
Tax calculated at UK tax rate 19.0% (2019: 19.0%)	(98)	112
Expenses not deductible for tax purposes	13	16
Depreciation in excess of capital allowances	(5)	(6)
	<u>(90)</u>	<u>122</u>

6. Cash and cash equivalents

	2020	2019
	£'000	£'000
Cash at bank	<u>3,298</u>	<u>3,132</u>

For the purpose of the cash flow statement, cash and cash equivalents comprise the above balances which have a maturity of three months or less.

Smith & Williamson Financial Services Limited

Notes to the financial statements (continued)

for the year ended 30 April 2020

7. Prepayments, accrued income and other receivables

	2020	2019
	£'000	£'000
Trade and fee receivables (gross)	1,447	2,010
Less: Specific provision - lifetime ECL credit impaired (note 8)	(68)	(37)
Less: Collective provision – lifetime ECL not credit impaired (note 8)	(6)	(2)
Trade and fee receivables (net)	1,373	1,971
Accrued income	672	815
Amount due from group companies (note 13)	612	-
	<u>2,657</u>	<u>2,786</u>

The net movement in the provision for impairment of trade receivables for the company during the year was £35,000 (2019: £15,000). The income statement impact relating to the creation and utilisation of impairment provisions was a debit of £61,998 (2019: £15,132) within other operating expenses.

Concentrations of credit risk with respect to trade receivables are limited due to the company's large and diverse client base. As a result, the directors do not believe that credit risk provisions, in excess of the provision for impairment of trade and fee receivables, are required.

8. Provision for doubtful debts

	2020	2019
	£'000	£'000
Specific provision for doubtful debts – lifetime ECL credit impaired	68	37
Collective provision for doubtful debts – 12-months ECL	1	1
Collective provision for doubtful debts – lifetime ECL not credit impaired	6	2
Total collective provision for doubtful debts	<u>7</u>	<u>3</u>
Total provision for doubtful debts	<u>75</u>	<u>40</u>

	Collective provision			Specific provision	
	12-months ECL	Lifetime ECL not credit impaired	Total	Lifetime ECL credit impaired	Total
	£'000	£'000	£'000	£'000	£'000
At 1 May 2018	2	2	4	24	28
Bad debts written off	-	-	-	(2)	(2)
Charge to the income statement	(1)	-	(1)	15	14
At 30 April 2019	<u>1</u>	<u>2</u>	<u>3</u>	<u>37</u>	<u>40</u>
Bad debts written off	-	-	-	(31)	(31)
Charge to the income statement	-	4	4	62	66
At 30 April 2020	<u>1</u>	<u>6</u>	<u>7</u>	<u>68</u>	<u>75</u>

Impact of movements in gross carrying amount on provision for doubtful debts

Provision for doubtful debts reflects expected credit losses (ECLs) measured using the three-stage approach, as described in note 1.

Smith & Williamson Financial Services Limited

Notes to the financial statements (continued)

for the year ended 30 April 2020

9. Accruals, deferred income, provisions and other payables

	2020	2019
	£'000	£'000
Other payables	8	8
Fees in advance	1,240	979
Other taxes and social security	399	414
Accruals	659	453
Amount due to the group companies (note 13)	-	103
Provisions for liabilities (see below)	416	16
	<u>2,722</u>	<u>1,973</u>

Provisions for liabilities comprise the following:

	Professional indemnity provision £'000
At 1 May 2018	35
Released to the income statement	(19)
At 30 April 2019	<u>16</u>
Charged to the income statement	400
At 30 April 2020	<u>416</u>

10. Share capital

	Authorised Ordinary shares of £1 each		Allotted and fully paid Ordinary shares of £1 each	
	Number	£'000	Number	£'000
At 30 April 2019	1,000,000	1,000	600,002	600
At 30 April 2020	<u>1,000,000</u>	<u>1,000</u>	<u>600,002</u>	<u>600</u>

The company has one class of ordinary shares. All issued shares are fully paid.

11. Contingent liabilities and commitments

The company had no contingent liabilities at 30 April 2020 (2019: £nil).

The company is from time to time involved in legal actions that are incidental to its operations. Currently the company is not involved in any legal actions that would significantly affect the financial position or profitability of the company.

12. Events after the balance sheet date

In September 2019, Smith & Williamson Group entered into a merger agreement with Tilney Group. The merger, which was approved by Smith & Williamson Holdings Limited shareholders, was subject to regulatory approval. However, following FCA concerns raised in January 2020, both parties entered into new merger negotiations in respect of a revised transaction structure.

In June 2020, the Smith & Williamson Group announced that it had agreed a revised transaction structure, which took account of the FCA's feedback (and which included a new investment into the Tilney Group by Warburg Pincus). The revisions to the structure meant that further regulatory, anti-trust and shareholder approvals were required. Smith & Williamson shareholders re-confirmed their support for the merger on 30 July 2020, and the last of the third party conditions was satisfied on 31 July 2020.

The High Court of Justice sanctioned the scheme at a hearing held on 6 August 2020. On the completion date, which is scheduled for 1 September 2020, the entire issued and to be issued share capital of Smith & Williamson Holdings Limited will be acquired by entities within the Tilney Group.

Smith & Williamson Financial Services Limited

Notes to the financial statements (continued)

for the year ended 30 April 2020

There have been no material post balance sheet events.

13. Related party transactions

During the course of the year, the company was charged by, or charged to, other companies of the group in respect of staff, services provided and other overhead costs.

During the year transactions between the company and other group companies were as follows:

	2020	2019
	£'000	£'000
Intercompany charges receivable from group companies	123	124
Intercompany charges payable to group companies	7,968	8,053

At the balance sheet date, the amounts due from/to other group companies were as follows:

	2020	2019
	£'000	£'000
Smith & Williamson Investment Management LLP	612	-
Total amount due from group companies	612	-
Smith & Williamson Investment Management LLP	-	103
Total amount due to group companies	-	103
Net amount due from/(to) group companies	612	(103)

14. Directors' remuneration

The total emoluments from group companies of those directors whose services were provided to the company during the year ended 30 April were as follows;

	2020	2019
	£'000	£'000
Salaries and other emoluments	4,378	3,731
Pension scheme contributions	-	-
Total emoluments	4,378	3,731

The highest paid director received the following remuneration:

	2020	2019
	£'000	£'000
Salaries and other emoluments	1,218	1,038
Total emoluments	1,218	1,038

The directors are also directors of other group companies. It is not practicable to allocate their total remuneration between their services as executives to this company or other group companies, and no such allocation has been attempted.

There are no key management personnel other than the directors.

15. Capital management

Accounting capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 30 April 2020 was £3,462,000 (2019: £3,885,000). Regulatory capital is determined in accordance with the requirements of the Financial Conduct Authority in the UK.

Smith & Williamson Financial Services Limited

Notes to the financial statements (continued)

for the year ended 30 April 2020

The company's objectives when managing capital are to:

- comply with the capital requirements set by the regulator;
- safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for its other stakeholders; and
- maintain a strong capital base to support the future strategy and development of the business.

Capital adequacy and the use of regulatory capital are monitored by the company's management, employing techniques based on the guidelines developed by the Basel Committee and the EU directives, as implemented by the Financial Conduct Authority in the UK for supervisory purposes. Disclosures required under Pillar 3 can be found on Smith & Williamson group's website.

Regulatory capital requirements have been met throughout the financial year ended 30 April 2020.

16. Financial risk management

The company has a formal structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures.

The company does not use derivative financial instruments for risk management purposes.

a) Categories of financial instruments

The company has one type of financial asset and financial liability, as described in the accounting policies note 1, therefore no analysis has been prepared.

b) Strategy in using financial instruments

The company does not trade financial instruments for its own account.

c) Credit risk

The company has no significant concentrations of credit risk. The company has policies in place to ensure that services are provided to clients with an appropriate credit history. Senior management periodically review, as a preventative measure, potential bad debts and take appropriate risk mitigating action accordingly. Impairment provisions are made as soon as a debt is considered doubtful or after the expiration of a set period since the invoice was raised, except where objective evidence of repayment exists.

There are no loans and advances past due but not impaired.

Trade and fee receivables

Trade and fee receivables relate to fees that have been raised but not settled by clients. The company has policies in place to ensure that services are provided to clients with an appropriate credit history. Client invoices are typically due for payment on issue and accordingly all trade and fee receivables are disclosed past due. Where trade receivables are impaired, in view of normal client payment patterns, full provision is made against any such trade receivables. Senior management periodically reviews as a preventative measure, potential bad debts and takes appropriate risk mitigating action at local levels. Client driven transactions with counterparties and cash transactions are limited to high quality, credit rated financial institutions. The company has policies in place that limit the amount of credit exposure to any one financial institution.

Maximum exposure to credit risk

The table below represents the company's on-balance sheet credit risk exposure at 30 April. For accrued income and other receivables, the amount stated is after any provisions for impairment.

	2020	2019
	£'000	£'000
Credit risk relating to on-balance sheet exposures:		
Cash and cash equivalents	3,298	3,132
Accrued income and other receivables	2,657	2,786
Total credit risk	5,955	5,918

There are no loans and receivables past due but not impaired.

Smith & Williamson Financial Services Limited

Notes to the financial statements (continued)

for the year ended 30 April 2020

d) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its obligations as they fall due. The company operates strict criteria for counterparties and as a result is not exposed to any significant liquidity risk.

Cash flows

The table below analyses financial assets and liabilities of the company on an undiscounted future cash flow basis according to the contractual maturity into relevant maturity groupings based upon the remaining period at the balance sheet date. Balances with no fixed maturity are included in the 'over 5 years' category. Included within the 'under 1 month' category, are amounts that are either repayable on demand or which have no contractual maturity.

At 30 April 2020	under 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	over 5 years £'000	Total £'000
Assets						
Cash and cash equivalents	3,298	-	-	-	-	3,298
Accrued income and other receivables	1,202	1,058	348	28	21	2,657
Total	4,500	1,058	348	28	21	5,955
Liabilities						
Accruals, provisions and other payables	777	289	416	-	-	1,482
Total	777	289	416	-	-	1,482
Net liquidity gap	3,723	769	(68)	28	21	4,473

At 30 April 2019	under 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	over 5 years £'000	Total £'000
Assets						
Cash and cash equivalents	3,132	-	-	-	-	3,132
Accrued income and other receivables	907	1,540	280	31	28	2,786
Total	4,039	1,540	280	31	28	5,918
Liabilities						
Accruals, provisions and other payables	700	278	16	-	-	994
Total	700	278	16	-	-	994
Net liquidity gap	3,339	1,262	264	31	28	4,924

e) Market risk

Interest rate risk

The company does not consider a movement of 2% in the sterling interest rate to have a significant impact on the result for the financial year. The total potential impact on profit or loss after tax would be £53,000 (2019: £51,000) at the balance sheet date for 2% (2019: 2%) movement in interest rates.

Foreign exchange risk

The company has no significant foreign exchange risk.

Smith & Williamson Financial Services Limited

Notes to the financial statements (continued)

for the year ended 30 April 2020

17. Discontinued operations

In the prior year, the company's financial services business located in Dublin was transferred to Smith & Williamson Investment Management (Europe) Limited in exchange for cash.

The results of the discontinued operations, which have been included in the statement of comprehensive income statement, were as follows:

	2020 £'000	2019 £'000
Net fee and commission income	-	155
Expenses	-	(181)
Loss before tax for the year from discontinued operations	-	(26)
Attributable tax	-	5
Loss for the year from discontinued operations	-	(21)

18. Ultimate controlling party

At 30 April 2020, the company's immediate and ultimate parent undertaking and controlling party was Smith & Williamson Holdings Limited, a company incorporated and domiciled in the United Kingdom. Smith & Williamson Holdings Limited is the parent undertaking of the largest and smallest group of undertakings for which consolidated financial statements are drawn up and of which the company is a member.

Copies of the group financial statements, which include the results of the company, are available from the Company Secretary, Smith & Williamson Holdings Limited, 25 Moorgate, London EC2R 6AY.