

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS

Report and Financial Statements

For the year ended 31 May 2020



DOWNING LLP AND SUBSIDIARY UNDERTAKINGS

OFFICERS AND PROFESSIONAL ADVISERS

Designated Members

Colin Corbally
Nicholas Lewis
Rowan Lewis
Tony McGing
Grant Whitehouse
Downing Corporate Finance Limited

Registered Office

6th Floor St Magnus House
3 Lower Thames Street
London
EC3R 6HD

Auditors

Lubbock Fine
Chartered Accountants & Statutory Auditors
Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB

Principal Bankers

Royal Bank of Scotland plc
119-121 Victoria Street
London SW1E 6RA

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS MEMBERS' REPORT FOR THE YEAR ENDED 31 MAY 2020

The Members present the Financial Statements for Downing LLP and its subsidiary undertakings (the "LLP" or "Partnership" and the "Group") for the year to 31 May 2020.

Members

The following are Designated Members of Downing LLP:

Colin Corbally
Nicholas Lewis
Rowan Lewis
Tony McGing
Grant Whitehouse
Downing Corporate Finance Limited

The total number of Ordinary Members for Downing LLP at the year-end was 16 (2019: 12).

Review of the year

Downing LLP set up new subsidiary undertakings during the year under review, with the new Group comprising of five entities at the year end. The Group's principal activity is Fund Management together with Asset Management related services.

Group profit for the year was £8.9 million (2019: £3.6 million). Funds under management remained steady at £1.1bn (2019 £1.1bn).

Whilst COVID19 has had an impact of the Group, the majority of profits were achieved before the pandemic took hold, with the financial impact only being seen in the last couple of months of the financial year. We believe that we have taken the necessary steps to mitigate the impact of COVID19 on the financial future of the Group. We continue to monitor the situation closely and will take further future actions as necessary.

The principal risks facing the Group and Partnership are changes to tax legislation relating to its products. Further details are set out within note 18.

Creditor payment policy

The Partnership's payment policy is to agree terms of payment before business is transacted, to ensure that suppliers are aware of these terms and to settle bills in accordance with them. Creditors are normally paid within thirty days of receipt of the invoice except where other terms have been arranged.

Policy with respect to Members' drawings and contributions

Members share profits and losses in accordance with documented profit share arrangements. The Members' policy on drawings is dependent upon the anticipated profits and working capital requirements of the Partnership (including cash requirements and the financial resources requirement). Members are paid, monthly, a sum on account of their profit share with undrawn profits at the year-end deemed to be a loan from Members; these undrawn profits being subject to additional working capital requirements.

Save as otherwise agreed by the Designated Members, any further contribution to the Partnership by a Member, over and above the initial capital contribution, shall be treated as an interest free loan to the Partnership repayable upon demand.

Auditors

Lubbock Fine are deemed to be re-appointed under section 487 (2) of the Companies Act 2006 as modified by the Limited Liability Partnerships Regulations 2008.

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
MEMBERS' REPORT FOR THE YEAR ENDED 31 MAY 2020 (continued)

Designated Members' Responsibilities

The Designated Members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

Legislation applicable to limited liability partnerships requires the Designated Members to prepare financial statements for each financial year. Under that law the Members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the LLP and the Group and of the profit or loss of the LLP and the Group for that period. In preparing those financial statements, the Designated Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP and the Group will continue in business.

The Designated Members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Designated Members are also responsible for safeguarding the assets of the LLP and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Members are aware:

- there is no relevant audit information of which the Group's auditor is unaware; and
- the Designated Members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the Members



Tony McGing

Designated Member for
Downing LLP

Registered office:

6th Floor St Magnus House

3 Lower Thames Street

London

EC3R 6HD

Company number: OC341575

8 September 2020

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
INDEPENDENT AUDITORS' REPORT
To the Members of Downing LLP

OPINION

We have audited the financial statements of Downing LLP (the "Parent LLP") and its subsidiaries (the "Group") for the year ended 31 May 2020, which comprise the Consolidated Income Statement, the Consolidated and LLP Statement of Financial Position, the Consolidated and LLP Statement of Cash Flows, the Consolidated and LLP Statement of Changes in Equity and the related notes, including a summary of significant accounting policies as set out on pages 12 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent LLP's affairs as at 31 May 2020 and of the Group's result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

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 Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

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 members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent LLP'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 members are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and 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.

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
INDEPENDENT AUDITORS' REPORT (continued)
To the Members of Downing LLP

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters to which the Companies Act 2006, as applied to limited liability partnerships, requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent LLP, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent LLP financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF MEMBERS

As explained more fully in the Designated Member's Responsibilities Statement set out on page 2, the Designated Members 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 members 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 members are responsible for assessing the Group's and the Parent LLP'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 Group or the Parent LLP 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 Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

USE OF OUR REPORT

This report is made solely to the LLP's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by part 12 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Banks

Stephen Banks

Senior Statutory Auditor

For and on behalf of

Lubbock Fine

Chartered Accountants and

Statutory Auditors

Paternoster House

65 St Paul's Churchyard

London EC4M 8AB

8 September 2020

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
CONSOLIDATED INCOME STATEMENT
Year ended 31 May 2020

	Note	2020 £'000	2019 £'000
TURNOVER	5	36,762	25,433
Cost of sales		<u>(10,596)</u>	<u>(5,408)</u>
GROSS PROFIT		26,166	20,025
Administrative expenses		<u>(17,367)</u>	<u>(16,595)</u>
OPERATING PROFIT	6	8,799	3,430
Interest receivable		135	176
Interest payable	9	-	(3)
		<u> </u>	<u> </u>
PROFIT AVAILABLE FOR DIVISION AMONG MEMBERS		8,934	3,603
<u>Other Comprehensive income</u>			
Revaluation of investments		<u>(15)</u>	<u>-</u>
Total comprehensive income		<u>8,919</u>	<u>3,603</u>
Total comprehensive income attributable to: Owners of the Parent Company		<u>8,919</u>	<u>3,603</u>

The accompanying notes form an integral part of these financial statements.

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 May 2020

	Note	£'000	2020 £'000	£'000	2019 £'000
FIXED ASSETS					
Tangible fixed assets	10		794		896
INVESTMENTS					
Investments	11		85		-
CURRENT ASSETS					
Debtors	12	6,419		5,974	
Cash at bank and in hand		<u>11,588</u>		<u>6,543</u>	
		18,007		12,517	
CREDITORS: amounts falling due within one year	13	<u>(11,255)</u>		<u>(8,828)</u>	
NET CURRENT ASSETS			<u>6,752</u>		<u>3,689</u>
NET ASSETS ATTRIBUTABLE TO MEMBERS			<u>7,631</u>		<u>4,585</u>
REPRESENTED BY:					
Equity					
Members' capital classified as equity			4,125		4,352
Loans and other debts due to Members due within one year					
Members' other interests	14		<u>3,506</u>		<u>233</u>
			<u>7,631</u>		<u>4,585</u>
TOTAL MEMBERS' INTERESTS					
Loans and other debts due to Members			3,506		233
Members' other interests			<u>4,125</u>		<u>4,352</u>
			<u>7,631</u>		<u>4,585</u>

The financial statements were approved by the Members on 8 September 2020 and signed on their behalf by:



Tony McGing
Designated Member

The accompanying notes form an integral part of these financial statements.

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
COMPANY STATEMENT OF FINANCIAL POSITION
31 May 2020

	Note	£'000	2020 £'000	£'000	2019 £'000
FIXED ASSETS					
Tangible fixed assets	10		794		896
INVESTMENTS					
Investments	11		135		68
CURRENT ASSETS					
Debtors	12	7,253		5,974	
Cash at bank and in hand		9,569		6,493	
		<u>16,822</u>		<u>12,467</u>	
CREDITORS: amounts falling due within one year	13	<u>(10,888)</u>		<u>(8,828)</u>	
NET CURRENT ASSETS			<u>5,934</u>		<u>3,639</u>
NET ASSETS ATTRIBUTABLE TO MEMBERS			<u>6,863</u>		<u>4,603</u>
REPRESENTED BY:					
Equity					
Members' capital classified as equity			4,125		4,352
Loans and other debts due to Members due within one year					
Members' other interests	14		<u>2,738</u>		<u>251</u>
			<u>6,863</u>		<u>4,603</u>
TOTAL MEMBERS' INTERESTS					
Loans and other debts due to Members			2,738		251
Members' other interests			<u>4,125</u>		<u>4,352</u>
			<u>6,863</u>		<u>4,603</u>

The LLP has taken advantage of section 408 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and has not included its own Profit and Loss Account in these financial statements. The LLP's profit for the year was £8,133,000 (2019: £3,604,000).

The financial statements were approved by the Members on 8 September 2020 and signed on their behalf by:



Tony McGing
Designated Member

The accompanying notes form an integral part of these financial statements.

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
CONSOLIDATED STATEMENT OF CASHFLOWS
Year ended 31 May 2020

	Note	2020 £'000	2019 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	15	10,958	2,002
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of fixed asset investments		(100)	-
		<u>(100)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Financing loan		-	(107)
Capital Contribution		(227)	849
Payments to Members		<u>(5,586)</u>	<u>(5,263)</u>
Net cash used in financing activities		<u>(5,813)</u>	<u>(4,521)</u>
INCREASE/(DECREASE) IN CASH	16	<u>5,045</u>	<u>(2,519)</u>

The accompanying notes form an integral part of these financial statements.

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
COMPANY STATEMENT OF CASHFLOWS
Year ended 31 May 2020

	Note	2020 £'000	2019 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	15	9,529	2,020
CASH FLOWS FROM INVESTING ACTIVITIES			
Loan to subsidiary company		(840)	-
Acquisition of fixed asset investments		(100)	(68)
		<u>(940)</u>	<u>(68)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Financing loan		-	(107)
Capital Contribution		(227)	849
Payments to Members		(5,286)	(5,263)
Net cash used in financing activities		<u>(5,513)</u>	<u>(4,521)</u>
INCREASE/(DECREASE) IN CASH	16	<u>3,076</u>	<u>(2,569)</u>

The accompanying notes form an integral part of these financial statements.

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 May 2020

	Members' capital classified as equity £'000	Members' other interests £'000	Amount attributable to owners of the parent £'000	Total £'000
Balance at 1 June 2018	2,503	2,913	5,416	5,416
Acquisition of subsidiary	-	(17)	(17)	(17)
Profit for the financial year available for discretionary division among members	-	3,603	3,603	3,603
Capital introduced	1,849	(1,000)	849	849
Distribution of profits	-	(5,266)	(5,266)	(5,266)
Balance at 1 June 2019	4,352	233	4,585	4,585
Profit for the financial year available for discretionary division among members	-	8,934	8,934	8,934
Comprehensive income for the year	-	(15)	(15)	(15)
Capital withdrawn	(227)	-	(227)	(227)
Distribution of profits	-	(5,646)	(5,646)	(5,646)
Balance at 31 May 2020	4,125	3,506	7,631	7,631

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
COMPANY STATEMENT OF CHANGES IN EQUITY
Year ended 31 May 2020

	Members' capital classified as equity £'000	Members' other interests £'000	Total £'000
Balance at 1 June 2018	2,503	2,913	5,416
Profit for the financial year available for discretionary division among members	-	3,604	3,604
Capital introduced	1,849	(1,000)	849
Distribution of profits	-	(5,266)	(5,266)
Balance at 1 June 2019	4,352	251	4,603
Profit for the financial year available for discretionary division among members	-	7,866	7,866
Other comprehensive income for the year	-	267	267
Capital withdrawn	(227)	-	(227)
Distribution of profits	-	(5,646)	(5,646)
Balance at 31 May 2020	4,125	2,738	6,863

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE ACCOUNTS
Year ended 31 May 2020

1. ENTITY INFORMATION

Downing LLP is a limited liability partnership, domiciled in England and Wales. The registered office is 6th Floor, St Magnus House, 3 Lower Thames Street, London, EC3R 6HD.

The principal activities of Downing LLP and its subsidiary undertakings are as follows:

Downing LLP	Fund Manager
Downing Global LLP	Fund Manager
Downing Investment LLP	Non regulated trading entity
Downing UK Unique Investors LLP	Fund Manager
Infram LLP	Asset Manager
Tally Marketplace Lending Ltd	Financial Intermediation

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), Companies Act 2006 as applied by LLPs and the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, updated in December 2018.

The financial statements are presented in Sterling (£) and rounded to the nearest thousand.

The Group financial statements consolidate the financial statements of Downing LLP and all its subsidiary undertakings, other than those for which inclusion is not material for the purposes of giving a true and fair view, drawn up to 31 May each year.

The LLP was exempt from preparing consolidated financial statements in the prior year, as the results for the subsidiary held in the prior year were considered immaterial. The comparatives presented in the financial statements represent the consolidated position at 31 May 2019 had it been prepared.

Going concern

After reviewing the Group's forecasts and projections, the members have a reasonable expectation that the LLP and Group have adequate resources to continue in operational existence for the foreseeable future. The LLP and Group therefore continue to adopt the going concern basis in preparing the consolidated financial statements.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

No significant judgements or estimates have been included within the results for the year ended 31 May 2020.

4. ACCOUNTING POLICIES

Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the LLP and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements of the LLP.

Revenue

Revenue, described as turnover, represents amounts received and receivable during the year in respect of ongoing contracts and new contracts agreed during the year in respect of the Group's principal activities, exclusive of Value Added Tax.

Employee benefits

Short-term employee benefits and contributions to personal pension plans are recognised as an expense in the period in which they are incurred.

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE ACCOUNTS (continued)
Year ended 31 May 2020

4. ACCOUNTING POLICIES (continued)

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures and fittings	- 25% reducing balance basis
Computer equipment	- Straight line over three years
Office equipment	- 25% straight line basis
Office fit-out	- Straight line over the length of the lease

Amortisation

Amortisation of the intangible asset is calculated so as to write off the cost over two years.

Operating lease

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease to the first break date, after taking account of periods of reduced rent.

Expenses

Expenses are accounted for on the accruals basis.

Fixed Assets Investments

Investments are held at net realisable value.

Investments in listed company shares are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are measured in the profit or loss account for the period.

Other debtors and other creditors

Other debtors and other creditors are included at amortised cost.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Partnership after deducting all of its liabilities.

Members' remuneration

A Members' share in the profit or loss for the year is accounted for as an allocation of profits in line with the Members' agreement. Unallocated profits and losses are included within "other reserves".

Taxation

Any tax payable on profits of the limited liability partnership is the personal liabilities of the Members. No provisions are made in these accounts for any amounts payable.

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE ACCOUNTS (continued)
Year ended 31 May 2020

5. TURNOVER

The turnover and profit on ordinary activities, for the year under review, are attributable to the principal activities of the Group and arise wholly within the United Kingdom.

Turnover, analysed by category, was as follows:

	2020	2019
	£'000	£'000
Rendering of services	27,390	24,482
Commission	398	695
Other fees	8,974	256
	<u>36,762</u>	<u>25,433</u>

Turnover, analysed by principal activity, was as follows:

	2020	2019
	£'000	£'000
Fund Manager	30,576	25,433
Asset Manager	571	-
Other non-recurring activities	5,615	-
	<u>36,762</u>	<u>25,433</u>

6. OPERATING PROFIT

Operating profit is stated after charging:

	2020	2019
	£'000	£'000
Auditor's remuneration – audit	19	21
Auditor's remuneration – taxation advice	7	5
Auditor's remuneration – other fees	19	18
Amounts due under operating leases	747	671
Provisions against bad debts	991	855
Depreciation	143	151
Amortisation	-	29
Loss on disposal of fixed assets	-	-
	<u>-</u>	<u>-</u>

7. EMPLOYEE INFORMATION

	2020	2019
	£'000	£'000
Wages and salaries	9,895	9,092
Social security costs	1,292	1,346
Contributions to personal pension plans	402	362
	<u>11,589</u>	<u>10,800</u>

The average number of persons employed by the Group during the year was:

	2020	2019
	£'000	£'000
Members of investment team	43	36
Other employees	93	99
	<u>136</u>	<u>135</u>

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE ACCOUNTS (continued)
Year ended 31 May 2020

8. INFORMATION RELATING TO MEMBERS

	2020 £'000	2019 £'000
Profit attributable to the member with the largest entitlement	<u>1,332</u>	<u>352</u>

The profit attributable to the member with the largest entitlement is determined by summing the amounts payable to each member under their agreement with the partnership and includes remuneration if applicable. The average number of Members during the year, including designated Members, was 18 (2019 – 18).

9. INTEREST PAYABLE

	2020 £'000	2019 £'000
Other interest payable	<u>-</u>	<u>3</u>

10. COMPANY AND GROUP: TANGIBLE FIXED ASSETS

	Office fit-out £'000	Computer equipment £'000	Office equipment £'000	Furniture and fittings £'000	Total £'000
Cost					
At 1 June 2019	961	205	40	76	1,282
Additions	-	11	30	-	41
Disposals	-	-	(20)	-	(20)
At 31 May 2020	<u>961</u>	<u>216</u>	<u>50</u>	<u>76</u>	<u>1,303</u>
Depreciation					
At 1 June 2019	142	187	33	24	386
Charge for the year	105	17	9	12	143
Eliminated on disposals	-	-	(20)	-	(20)
At 31 May 2020	<u>247</u>	<u>204</u>	<u>22</u>	<u>36</u>	<u>509</u>
Net book value					
At 31 May 2020	<u>714</u>	<u>12</u>	<u>28</u>	<u>40</u>	<u>794</u>
At 31 May 2019	<u>819</u>	<u>18</u>	<u>7</u>	<u>52</u>	<u>896</u>

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE ACCOUNTS (continued)
Year ended 31 May 2020

11. INVESTMENTS

Group

	Listed Investments £'000	Total £'000
Cost		
At 1 June 2019	-	-
Addition	100	100
At 31 May 2020	<u>100</u>	<u>100</u>
Change in valuation		
At 1 June 2019	-	-
Movement in year	(15)	(15)
At 31 May 2020	<u>(15)</u>	<u>(15)</u>
Net book value		
At 31 May 2020	<u>85</u>	<u>85</u>
At 31 May 2019	<u>-</u>	<u>-</u>

Company

	Subsidiary Undertakings £'000	Listed Investments £'000	Total £'000
Cost			
At 1 June 2019	68	-	68
Addition	-	100	100
At 31 May 2020	<u>68</u>	<u>100</u>	<u>168</u>
Change in valuation			
At 1 June 2019	-	-	-
Movement in year	(18)	(15)	(33)
At 31 May 2020	<u>(18)</u>	<u>(15)</u>	<u>(33)</u>
Net book value			
At 31 May 2020	<u>50</u>	<u>85</u>	<u>135</u>
At 31 May 2019	<u>68</u>	<u>-</u>	<u>68</u>

	Company number	Type of shares held	Proportion of capital held	Country of registration
Downing Global LLP	OC429331	N/A	98%	England and Wales
Downing Investment LLP	OC427620	N/A	100%	England and Wales
Downing UK Unique Investors LLP	OC430708	N/A	98%	England and Wales
Infram LLP	OC428743	N/A	100%	England and Wales
Tally Marketplace Lending Limited	08285356	Ordinary	100%	England and Wales

The registered office address of all entities noted above is 6th Floor St Magnus House, 3 Lower Thames Street, London, England, EC3R 6HD.

Each of Downing Investment LLP, Infram LLP and Tally Marketplace Lending Limited are exempt from the requirement for an audit for the period ended 31 May 2020 by virtue of Section 479A of the Companies Act 2006.

The results of both Downing Global LLP and Downing UK Unique Investors LLP for the period to 31 May 2020, have been excluded from the Group consolidated accounts as their inclusion are not material to the Group for the purpose of giving a true and fair view.

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE ACCOUNTS (continued)
Year ended 31 May 2020

12. DEBTORS

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade debtors	4,554	4,137	5,059	4,137
Loan to subsidiary undertaking	-	-	840	-
Other debtors	771	1,250	672	1,250
Prepayments	1,094	587	682	587
	<u>6,419</u>	<u>5,974</u>	<u>7,253</u>	<u>5,974</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade creditors	922	1,075	648	1,075
Taxes and other social security	1,254	885	1,254	885
Other creditors	3,203	2,052	3,203	2,052
Accruals and deferred income	5,876	4,816	5,783	4,816
	<u>11,255</u>	<u>8,828</u>	<u>10,888</u>	<u>8,828</u>

14. LOANS AND OTHER DEBTS DUE TO MEMBERS

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Amounts due to Members in respect of profits	<u>3,506</u>	<u>233</u>	<u>2,738</u>	<u>251</u>

As the Group and LLP does not have any secured creditors, in the event of a winding-up undrawn amounts due to Members in respect of profits for prior year accounts are expected to rank alongside other unsecured creditors. Undrawn profits in the liquidation period will rank behind other unsecured creditors. There are currently no other enforceable restrictions or limitations in place.

15. RECONCILIATION OF PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Profit for the year	8,934	3,603	7,866	3,604
Depreciation	143	151	143	151
Amortisation	-	29	-	29
Increase in receivables	(1,350)	(784)	(499)	(784)
Increase/(decrease) in payables	3,271	(714)	2,059	(697)
Acquisition of tangible fixed assets	(40)	(283)	(40)	(283)
	<u>10,958</u>	<u>2,002</u>	<u>9,529</u>	<u>2,020</u>

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE ACCOUNTS (continued)
Year ended 31 May 2020

16. CHANGE IN CASH

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Balance at beginning of the year	6,543	9,062	6,493	9,062
Net cash inflow/(outflow)	5,045	(2,519)	3,076	(2,569)
Balance at end of the year	<u>11,588</u>	<u>6,543</u>	<u>9,569</u>	<u>6,493</u>

17. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise of cash and liquid resources. The main purpose of these financial instruments is to provide working capital and generate revenue for the Groups' operations.

The Group has not entered into any derivative transactions.

The material risks arising from the Group's financial instruments are interest rate risk, cash flow risk and counterparty risk. The Members continually review these risks at regular Board meetings and take any action deemed necessary.

Interest rate risk

The Group accepts exposure to interest rate risk on floating-rate financial assets through the effect of changes in prevailing interest rates. The Group receives interest on its cash deposits at a rate agreed with its bankers.

Group Financial assets and liabilities

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Financial Assets measured at fair value	<u>85</u>	<u>-</u>	<u>135</u>	<u>-</u>
Financial Assets measured at amortised cost	<u>5,325</u>	<u>5,387</u>	<u>6,571</u>	<u>5,387</u>
Financial Liabilities measured at amortised cost	<u>(7,102)</u>	<u>(5,003)</u>	<u>(6,815)</u>	<u>(5,003)</u>

Currency exposure

As at 31 May 2020, the Group had no foreign currency exposures (2019: £Nil).

Financial liabilities

The Group has no financial liabilities or guarantees other than as stated in the Balance Sheet or in note 20.

Borrowing facilities

The Group had no borrowing facilities at either year end.

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE ACCOUNTS (continued)
Year ended 31 May 2020

18. PRINCIPAL RISKS AND UNCERTAINTIES

Business & Liquidity Risk

The Group reviews the performance of the Business throughout the year through budgeting and forecasting, in order to make appropriate operational decisions.

The Group holds cash in instant access, short term and short notice accounts, spread across a number of banks, to minimise cash flow risk. The Group also regularly monitors projected cash flow requirements and budgets accordingly.

External Risks

Uncertainties exist surrounding potential changes to current UK legal and regulatory environment. There is a risk that changes to underlying legislation could hinder the Group's tax efficient based products. The Group seeks to minimise this risk by broadening the range of funds that it promotes and manages into both tax and non-tax efficient vehicles, together with ensuring that relevant personnel have a detailed understanding of current and evolving tax legislation.

Global economic uncertainties surrounding COVID, present potential risks to the business in the form of economic downturn and the requirement to provide liquidity to our products from clients wishing to redeem, alongside potential lack of opportunity to invest during certain scenarios. The Group has sought to minimise this risk through the broadening of fund ranges which diversifies our client base, as well as increasing the opportunity to invest in a range of different companies and vehicles to diversify our investments.

Brexit

The Group has considered the effect on the activities performed following the exit of the UK from the European Union. Although the outcome is unclear, the conclusion was that the current business model would be sustainable in the event of a Hard Brexit, and the Members do not consider that there would be a material impact to the financial statements as the majority of our products and investors are UK based.

Reputational Risk

Business reputation, including fund performance, is a key component to the Group's ability to raise new funds from which the Group derives a significant portion of its ongoing management fees. The Group recognises the importance of our reputation and has implemented a system of internal controls which seek to manage and prevent the occurrence of events that could materially damage the reputation of the business.

Operational Risk

Operational risk arises as a result of inadequate or failed internal processes, people or systems which the Group utilises in its ordinary course of business.

The Group continually reviews its risk management processes against its appetite to ensure that there are robust systems and controls to identify, monitor, manage and mitigate existing and emerging operational risks so that any impact on the Group is at an acceptable level.

Compliance Risk

Compliance Risk is the risk that the Group becomes exposed to legal and financial forfeiture as a result of a failure to act in accordance with laws and regulations imposed by the Government or regulator.

The Group's Compliance Officer undertakes to ensure that all staff and Members of the Group receive sufficient ongoing training on regulatory topics and is responsible for the Group's risk culture to mitigate issues relative to the conduct of staff. Operational controls are placed within the Group to ensure that regulatory processes are undertaken on time and to the appropriate standards to maintain compliance. The Group also uses external advisory companies to provide additional advice and guidance where appropriate.

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE ACCOUNTS (continued)
Year ended 31 May 2020

18. PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Market Risk

An element of the Partnership revenue is derived from quoted products, whereby fees are driven by the volume of funds under management. The Partnership could be exposed to market risk when large scale market events result in a significant decline of investment value and potentially increased redemptions in the funds, which impacts our ability to maintain revenue generated at current levels. The Partnership seeks to mitigate market risk by operating a system of robust governance and monitoring controls to actively monitor and manage risks in terms of stock selection and diversification of the portfolios which we manage.

Counterparty Risk

Counterparty risk is the likelihood of a third party in a transaction may not fulfil its part of the transaction and may default on its contractual obligations. The Group's risk associated with investment counterparties is limited to secondary impacts arising from possible reputational damage and/or reduction of fees with respect to the management of assets made in association with investment counterparties. The Groups' credit risk is therefore primarily made of trade debtors. All amounts presented on the balance sheet are at net of allowances for doubtful debts. The Group seeks to mitigate these risks by maintaining a robust due diligence process when engaging with investment counterparties on behalf of funds and clients.

19. LEASING COMMITMENTS

The Group's future minimum operating lease payments are as follows:

	2020 £'000	2019 £'000
Within one year	840	840
Between one and five years	1,249	1,302
	<u>2,089</u>	<u>2,142</u>

20. MANAGEMENT OF CAPITAL AND PILLAR III REQUIREMENT

The Partnership manages its capital in accordance with the Capital Requirements Directive and Financial Conduct Authority ("FCA") rules relating thereto. As a part of the latter the Partnership performs an annual Internal Capital Adequacy Assessment Process ("ICAAP") under which its capital adequacy is managed.

Members share profit and losses of the Partnership in accordance with documented profit share arrangements. As such, profits for the financial year are not currently retained within the Partnership. Members' policy on drawings is dependent upon the anticipated profits and working capital requirements of the Partnership, giving due regard to capital requirements set down by the FCA and as calculated under the annual ICAAP. The Partnership does not have any externally imposed capital requirements.

During the years ended 31 May 2019 and 31 May 2020 the Partnership's regulatory capital resources, defined as Members Capital classed as equity, has been maintained at levels in accordance with requirements as set out by the FCA and the ICAAP review; such amounts are disclosed on page 7.

The Partnership's unaudited Pillar III report for the year ended 31 May 2020 is disclosed on the Company's website, www.downing.co.uk.

DOWNING LLP AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE ACCOUNTS (continued)
Year ended 31 May 2020

21. RELATED PARTIES

Transactions and balances with related parties at 31 May 2020 and 31 May 2019 were as follows:

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Sales to entities with common key management personnel				
Sales to such entities	9,395	5,569	9,395	5,569
Amounts due from such entities	1,474	1,119	1,474	1,119
Purchases from entities with common key management personnel				
Purchases from such entities	(211)	-	-	-
Amounts due to such entities	-	-	-	-

All amounts outstanding to the partnership are unsecured, interest free and repayable on demand.

The following is a table of movements on loans with the Group and LLP during the year.

	2020		Outstanding to the Partnership	
	Loan mvmt	Interest	2020	2019
	in period		2020	2019
	£'000	£'000	£'000	£'000
(Repayments from)/Loans to Members of Downing LLP	(59)	-	527	587

The loans to the Members of Downing LLP are unsecured, interest free, and repayable on demand.

22. CONTROLLING PARTIES

The Partnership is controlled by Nicholas Lewis and Rowan Lewis, by virtue of them holding combined voting interests of over 50% in the Partnership.